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TODAY:
MONEY
Page 15

With Rebels at Gate, Mobutu Flees Kinshasa

The Skilled Survivor Finally Bows to Fate

By Howard W. French
New York Times Service



Marshal Mobutu Sese Seko: For 32 years Zaire's ruler had been the very model of an African autocrat.

KINSHASA, Zaire — When Zaire's president, Mobutu Sese Seko, fled off to his northern hometown Friday morning, his departure from a capital under siege was described by officials not as a resignation but a simple retreat from the affairs of state.

In reality, however, with rebels about to capture Kinshasa, his army deserting him and his body ravaged by cancer, Marshal Mobutu's flight to Gbadolite represented the first surrender in a remarkable life of power.

Over nearly four decades at the center of his country's political stage, Marshal Mobutu was nothing if not an extraordinary survivor. His discreet departure from the capital, slipping to the airport by an alternate route, spoke volumes of Marshal Mobutu's inability to publicly acknowledge his fate. But when his top generals confronted him with the word late Thursday that they could no longer fight his war, or even protect him any longer, the bottom line was that Marshal Mobutu for the first time in his political life cut and ran.

Continued on Page 7



Laurent Kabila: He has promised "popular elections" sometime after he has ruled for two years.

By Howard W. French
New York Times Service

KINSHASA, Zaire — Bringing an end to nearly 32 years of rule, President Mobutu Sese Seko quietly slipped out of this besieged city Friday morning aboard a flight to his northern hometown, Gbadolite, which diplomats described as a brief stopover en route to permanent exile.

By early evening, there were unconfirmed reports here that Marshal Mobutu had already left Gbadolite, presumably for Morocco, where the president maintains one of many luxurious palaces. Moroccan officials acknowledged Friday that Marshal Mobutu had been given landing rights in that country, but would not confirm whether Marshal Mobutu was on his way there.

Marshal Mobutu's departure came as rebels who have fought a stunningly successful seven-month war against the government drew within eight kilometers of Kinshasa's international airport, and readied themselves to take control of the capital.

Marshal Mobutu delivered no message to a nation he has thoroughly dominated since independence from Belgium in 1960. And here in Kinshasa, which has lived on edge for days now, the first word that this city heard of the news came in a midafternoon declaration from the government Marshal Mobutu left behind. It was carried by foreign radio stations here.

Reading the government statement to a hastily gathered assembly of journalists, the information minister, Kin Kiey Mulumba, said that Marshal Mobutu acknowledged that negotiations with the rebels had failed and that as a consequence the president had definitively "ceased to intervene in the conduct of the affairs of state."

Mr. Mulumba said that Marshal Mobutu had not formally resigned from office, however, and could not directly hand over power to the rebel leader, Laurent Kabila, because the country's laws forbade such a transition.

And given the advanced prostate cancer that has visibly

See ZAIRE, Page 7

Asians Question Building Boom

Fallout From Glut Threatens To Hurt Prospects for Growth

By Michael Richardson
International Herald Tribune

SINGAPORE — For more than a decade in the major cities of Southeast Asia, crater-sized building sites, giant cranes and the emerging steel and concrete frameworks of multistory buildings have been seen as signs of robust economic health.

Today, as regional currencies and stock markets reel from speculative trading attacks and falling investor confidence, there are growing fears among officials and bankers that the construction boom may turn into a bust that will undermine growth.

Thailand's slowing economy and the pressure for higher interest rates as it battles to control a mountain of unsold properties and bad loans are the most obvious example of what could happen elsewhere in Southeast Asia if recently introduced official constraints on real-estate speculation fail to work, analysts say.

A recent study by the merchant bank Deutsche Morgan Grenfell found that there had been overbuilding in the Philippines, Malaysia, Indonesia and Singapore as well as in Thailand.

While property-loan growth has receded sharply in Thailand to under 10 percent in 1996, the bank said that it was running at about 22 percent in Singapore, nearly 30 percent in Malaysia and 36 percent in Indonesia.

Although banks in the Philippines reported that only 9 percent of their loans last year were for property, analysts said the figure had been underreported and was likely to be much higher.

Such concerns contributed to recent sharp falls in share prices in the Philippines, where property and bank stocks comprise a substantial segment of the market, as they do in other Southeast Asian countries.

"When too many resources go into the property sector relative to the other productive sectors of the economy and fuel a bubble, the danger of a collapse increases, and the repercussions are severe," Deutsche Morgan Grenfell said. "The recent tightening by central banks across Southeast Asia is fully justified but probably too late."

In Malaysia, the Philippines and Indonesia, regulators issued guidelines designed to reduce the amount that banks lend for property development.

Following up measures to discourage property speculation introduced a year ago, including a capital-gains tax, Singapore last month further tightened controls in the area of public housing, where more than 80 percent of the population lives.

See ASIA, Page 7



President Jiang Zemin explaining a Tang Dynasty poem to President Jacques Chirac in Beijing on Friday as the French leader continued a visit to bolster ties with China.

No French Apology on China

Chirac Trumpets Conciliation in Approach to Beijing

By Patrick E. Tyler
New York Times Service

BEIJING — President Jacques Chirac of France said here Friday that during the years of racial repression in South Africa, he was "one of a very few politicians" who would not accept an invitation to visit that country as long as Nelson Mandela remained in jail.

But he asserted that he was willing to come to China, even though leading dissidents such as Wei Jingsheng and Wang Dan remain im-

prisoned, because any "confrontational" strategy to pressure China to improve its human rights record "simply doesn't work."

Speaking one day after Airbus Industrie won \$1.5 billion in contracts to provide 30 new jetliners to China's fleet, Mr. Chirac was unapologetic in explaining why France, which is seeking to increase exports to China, led the way among European nations in abandoning the annual effort to condemn China's human rights

See CHIRAC, Page 7

Blair Drops British Ban On Talking to Sinn Fein

Initiative Aims to Restart Peace Process, But He Foresees No Change for Ulster

By Fred Barbash
Washington Post Service

LONDON — Prime Minister Tony Blair began a new initiative Friday to halt escalating violence in Northern Ireland, lifting the British government's ban on official contacts with the political arm of the Irish Republican Army in hopes of reviving the dying peace process in the province.

Prime Minister John Major, whose Conservative Party was defeated in the May 1 general election, had refused any official discussion with Sinn Fein, the IRA-allied political party, until the paramilitary group declared an end to violence.

Mr. Blair said his change of policy, offering a meeting Sinn Fein has demanded for months, would give his government the opportunity to "explain our position and to assess" whether the organization was "ready to give up violence and commit itself to politics alone." He said: "If they are, I will not be slow in my response. If they are not, they can expect no sympathy or understanding."

Mr. Blair balanced his gesture to those favoring an end to British rule in Northern Ireland with a strong statement that he could foresee no such outcome because the majority of people in Northern Ireland would not consent to it.

"None of us in this hall today, even the youngest, is likely to see Northern Ireland as anything but a part of the United Kingdom," he said during his first visit to the province since the election.

The initial response from Sinn Fein criticized Mr. Blair for that emphasis. But Martin McGuinness, who with Gerry Adams leads the party, did not respond directly to the offer of a meeting.

Mr. Blair's statements came as the British province's police chief warned of the dangerously "stark" situation created by several retaliatory sectarian

killings over the past few weeks by both Protestant terrorists and Roman Catholic terrorists.

The province, roughly 60 percent Protestant, is that part of Ireland retained by Britain in the 1920s. When the rest of the predominantly Catholic country won its independence from the United Kingdom, since then, a "nationalist" movement has struggled for a reunification of the island under the rule of the Republic of Ireland in Dublin.

With equal fervor, Northern Ireland's "unionists" and "loyalists" have fought for continued union with Britain.

Both sides have violent and nonviolent factions, and both have experienced nearly 30 years of terrorism and

See BLAIR, Page 7

Across the EU, Amazement At Bonn Plan To Bend Books

By John Schmid
International Herald Tribune

FRANKFURT — Finance Minister Theo Waigel, undaunted by critics who accuse him of engaging in the sort of budgetary sleight-of-hand that he has long scorned, said Friday that a revaluation of German gold and foreign-currency reserves would help the nation meet both of the most critical budget criteria for a European monetary union.

The minister's confident pronouncement startled many economists because it contradicted the conventional interpretation of the European Union's criteria for countries wishing to join the single currency at its introduction in 1999.

If Mr. Waigel's unconventional interpretation is correct, however, it would breathe new life into the stumbling process of European integration.

His statement also surprised European financiers and politicians, as it seemed to mean that Germany had in effect surrendered its moral authority to chide other EU nations for bending their accounts to meet the criteria. In particular, they said, the plan weakened Germany's case for excluding Italy from the first round of currency participants.

Mr. Waigel's harshly criticized plan to revalue Germany's vast gold and foreign-currency reserves would shrink German deficits, at least for EU statistical purposes. The proposed revaluation would increase the relatively low book value of the reserves and bring them into line with prices they would fetch in world markets.

Arithmetically, that could generate a one-time book profit large enough to shrink Germany's deficit this year well below the maximum of 3 percent of gross domestic product, Bonn sources said. They added that if the plan cleared

See GERMANY, Page 10

Polluted Valley Thirsts to Refill a Lake Diverted to Los Angeles

By William Booth
Washington Post Service

KEELER, California — When the wind begins to blow here, everything changes. The pretty valley, with skies so blue, turns to ash. It looks like dense, swirling fog. But it is not.

On the shore of the Owens Dry Lake, children are hustled indoors. Residents — hacking, noses bloody from the flying grit — bunker down behind windows sealed with tape, while researchers working on the lake bed don respirators and run for the

trucks, fearful of losing the shoreline in the whitout, as a giant toxic cloud of fine salt and sand, mixed with arsenic and cadmium, rises from the plays, the floor of the dry lake.

What is happening at Owens Dry Lake is not natural.

"There's this doomsday feeling about it," said Mike Patterson, who lives in Cerro Gordo, a ghost town above the lake. "Like something sinister."

The third-largest lake in California was drained by the city of Los Angeles, whose agents — in the most notorious water grab in the West —

purchased the entire Owens Valley and its water rights at the beginning of this century, built a 223-mile (350-kilometer) aqueduct to bring the water to Los Angeles and sucked the lake dry by the 1920s.

But now a reckoning may be at hand. There is nothing more precious in the West than water. Cities like Phoenix, Las Vegas and, most perilously, Los Angeles, exist only because they can divert water from distant sources.

Yet now, not only are the thirsty cities of the West being pitted against each other for "over-

subscribed water," but they increasingly are being asked to give up water to repair old environmental wrongs: to refill parched estuaries and rivers, to re-create natural systems altered in the past by dams and diversions.

One of the longest-running and most bitter battles will take place here in the Owens Valley, where the Los Angeles Department of Water and Power owns almost all the land and water rights. Many residents here compare the city water man-

See WATER, Page 7

AGENDA

Asian Central Banks Holding Their Own

Central banks appeared to have gained the upper hand in Southeast Asia's currency war Friday as speculators who had sold regional currencies aggressively found themselves deprived of short-term funds.

Dealers said there were rumors that Bank Negara, Malaysia's central bank, had followed Thailand's lead in re-

stricting funds, but the bank later denied it had done so.

Asian currency markets were thrown into turmoil this week, with Singapore and Thailand joining forces to buy the Thai baht to rescue it from an 11-year low against the dollar.

On Friday, Singapore hailed the effort as a success. Page 9.

THE AMERICAS Page 3

Clinton's Shipping on His Own Turf

EUROPE Page 5

Refugee Croats Terrorizing Serbs

Books Page 3

Crossword Page 13

Opinion Page 6

Sports Pages 18-19

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Italy	2,800 Lire	Spain	225 PTAS
Jordan	1.250 CFA	Tunisia	1.250 Din
Kuwait	1.250 JD	U.A.E.	10.00 Dirh
	700 Fils	U.S. M.L. (Eur.)	\$1.20

The Dollar

New York	Friday @ 4 P.M.	previous close
DM	1.8931	1.8975
Pound	1.6368	1.6427
Yen	115.825	115.975
FF	5.6995	5.7185

The Dow

Friday close	previous close
-136.21	7197.14
	7333.35

S&P 500

Friday @ 4 P.M.	previous close
change	829.89
	841.88

AT&T

Candidate Chretien Finds Himself Slipping on His Quebec Turf

By Anthony DePalma
New York Times Service

SHAWINIGAN, Quebec — Prime Minister Jean Chretien's Liberal Party holds a commanding lead in the June 2 national elections approach, but Mr. Chretien himself is in one of the toughest fights of his long political career.

Mr. Chretien campaigns for his own seat in Parliament representing this old French-speaking mill town northeast of Montreal, he faces a tough opponent and a grumpy electorate that is largely disappointed that he has not been able to solve the problems in his own back yard.

For the 63-year-old prime minister, Shawinigan, with its railcars heaped with wood pulp and workers carrying metal lunch pails, is as much a part of his personal myth as Hope, Arkansas, is of President Bill Clinton's.

Mr. Chretien was first elected to represent this area in Ottawa in 1963, and Shawinigan has returned him to the House of Commons eight times, the last as a hard-working prime minister who looked and sounded like an ordinary guy. He always campaigns with his crooked smile and fractured diction, in both English and French, as "the little guy from Shawinigan."

But the common man guise may be wearing thin. "For 30 years he's been saying 'I'm the little guy from Shawinigan' and in my mind it's pejorative," said Yves Duhaime, 57, a local lawyer and Bloc Quebecois politician who polls say is running neck and neck with Mr. Chretien. "What people need now is a gentleman from Shawinigan."

The main issues here can be seen as a microcosm of the most important issues facing Canada in this election: the need to create jobs, protect the social network and keep the country together.

But while Mr. Chretien remains popular in English-speaking Canada, he has not made popular in Quebec, the way he has handled those issues since taking office as Canada's 20th prime minister a little over three and a half years ago.

"He's a real liability in Quebec," said Larry LeDuc, a professor of political science at the University of Toronto. Many people here still see him as a traitor to the Quebec cause, Mr. LeDuc said, and his inability or unwillingness to show Shawinigan with governmental goodies has added to local disappointment over his leadership.

In some ways it is the achievements that Mr. Chretien most proudly boasts of elsewhere in Canada that get him into the most trouble here. He tells voters that his government has created 793,000 jobs, and reduced the national unemployment rate to 9.6 percent, from just over 11 percent when he took office. But in Shawinigan and surrounding areas, unemployment is about 16 percent, more than 10,000 of the district's 75,000 residents are on welfare.

To reduce the ballooning national deficit that he inherited in 1993, Mr. Chretien has had to cut deeply into Canada's most cherished social program — universal health care — and generally tighten the broad range of assistance programs. Here some 450 poor families rely on a food bank run by Roman Catholic priests.

And wherever he campaigns, Mr. Chretien is re-

minded that although the "No" side won the October 1995 referendum in Quebec on splitting Canada, he underestimated the separatist sentiment of his fellow Quebecers. In a rebuke for the prime minister, who led the campaign for unity, 54.6 percent of the people here voted for Quebec to pull out of Canada.

Few analysts expect Mr. Chretien to lose, although they say that if the Liberals do poorly, there will be pressure on him to resign. If the unexpected happened and he were to lose while his party retained control of the government, space would be found for him in another district so he could remain prime minister.

Mr. Chretien is taking no chances of suffering any such blow to his leadership. While he campaigns for his party across Canada, a number of his cabinet ministers go on the stump for him in Shawinigan, repeating the rather modest message he gave in a nationally televised debate among party leaders Monday. "In some areas, I am sorry to say, we were not able to do all we wanted to do," Mr. Chretien said. "You do not expect your government to perform miracles."

There has never been love lost between Mr. Chretien and Mr. Duhaime. Both are lawyers born in Shawinigan, but they have taken different paths.

Mr. Chretien staunchly supports keeping Quebec in Canada. He has always belonged to the Liberal Party, and he held nearly every major cabinet position before becoming prime minister. Mr. Duhaime has held office in the provincial government, but in the mid-1980s he retired from politics. He came back to the political scene last fall, running unsuccessfully for the leadership of the Bloc Quebecois.



Prime Minister Chretien faces a tough challenger in Shawinigan, Quebec.

POLITICAL NOTES

Clinton Is Focusing On Racial Issues

WASHINGTON — Two years ago, the issue of race in America had President Clinton on the defensive. Speaking in California, he urged a group of Democrats to be sensitive to the problems of the "angry, white male," and warned that if they were not flexible on the issue of affirmative action, Republicans would score "a cheap political victory."

These days, Mr. Clinton sees fewer perils and more possibilities in confronting racial divisions. The change reflects what White House advisers say is his belief that promoting racial reconciliation can be a principal legacy of his second term.

A ceremony Friday at the White House, in which Mr. Clinton formally apologized on behalf of the U.S. government for experiments conducted on black victims of syphilis starting in the 1930s, was part of a series of high-profile events over the next month that Mr. Clinton will use to highlight race, presidential aides say.

White House aides have been debating whether Mr. Clinton should appoint a task force to study the race issue, and who should be on it. But the suggestions of civil rights leaders consulted by the White House — spending more money on civil rights enforcement and urban poverty — are things Mr. Clinton shows little inclination to do. (WP)

New Tougher Terms On Gingrich Loan

WASHINGTON — The House ethics committee rejected Newt Gingrich's \$300,000 loan agreement with the 1996 Republican presidential campaign.

Away From Politics

• The journalist who questioned whether Admiral Jeremy Borda had earned all his medals reportedly also had decorations he apparently did not earn. Retired Colonel David Hackworth of the army was scheduled to interview Admiral Borda, the navy's top admiral, on the day the admiral committed suicide. CNN reported that Colonel Hackworth's wearing of the

inec, Bob Dole, and imposed a far more stringent arrangement that required the House speaker to pay \$50,000 from personal funds immediately and sliced the Dole loan in half.

Responding to criticism that the Gingrich-Dole arrangement was a "sweetheart deal" between two veteran politicians, the committee struck a deal with Mr. Gingrich that would settle his \$300,000 penalty for ethics violations while conforming more closely to commercial banking standards. In the new arrangement — agreed on by Mr. Gingrich and the ethics panel Thursday — the speaker must put up his home as collateral and make more frequent payments than he had proposed.

Mr. Gingrich delivered to the committee a check for \$50,000 on Thursday afternoon. (LAT)

Budget a Done Deal, According to Lott

WASHINGTON — After two weeks of haggling and a day of high-level negotiating, Senator Trent Lott of Mississippi, the majority leader, announced that congressional Republicans and the White House had agreed in writing to the details of their balanced-budget deal. He said he expected Congress to approve a budget resolution within a week. Mr. Lott gave no details, but said Thursday that the deal's framework was the same as that unveiled two weeks ago. (NYT)

Quote/Unquote

President Clinton, challenging Congress to pass his proposals to fight accidents with handguns by requiring that firearms have child-safety locks: "We protect aspirin bottles in this country better than we protect guns from accidents by children." (WP)

awards may have been an honest mistake. Admiral Borda made the same argument before he died. (AP)

• Attorney General Janet Reno authorized prosecutors to seek the death penalty for the suspect in the Unabomber case despite arguments that executing him would be an injustice to the relatives who had turned him in. (NYT)

• A desktop-size chunk of aluminum from a TWA jet fell onto a busy street in St. Louis, denting the roadway but missing startled pedestrians and motorists. (AP)

Senate Rejects Compromise on Abortion Bill

By Helen Dewar
Washington Post Service

WASHINGTON — The Senate has overwhelmingly rejected a White House-backed initiative to curtail late-term abortions that had been offered as a way of derailing a Republican-sponsored bill banning so-called partial-birth abortions.

The proposal from Thomas Daschle of South Dakota, leader of the minority Democrats, was defeated, 64 to 36, underscoring the difficulties of trying to devise a middle ground on the abortion issue. All but two Republicans voted against Mr. Daschle's proposal, and he lost 11 Democrats, including some of

the most ardent abortion-rights supporters as well as many of the party's strongest anti-abortion lawmakers.

Mr. Daschle's proposal, endorsed by President Bill Clinton, would have banned abortions in the final months of pregnancy unless a woman were threatened with death or "grievous injury" to her health.

Defeat of the Daschle proposal puts the late-term-abortion legislation on track for approval when the Senate resumes consideration of it Tuesday. Mr. Clinton vetoed a similar bill last year and has vowed to veto this one because it does not include an exception to protect women's health.

The House passed an identical mea-

sure two months ago by more than the two-thirds majority required to override a presidential veto, but sponsors of the bill have said they are four or five votes short of a veto-proof majority in the Senate.

While abortion-rights forces described the Daschle proposal as a retreat from the rights of women as guaranteed by the Supreme Court in 1973 in ruling on the case of Roe v. Wade, it came under even stronger attack from anti-abortion groups, which described it as a "sham" designed to preserve the status quo.

"We're not going to satisfy the hard-core pro-choice or pro-life people," Mr. Daschle acknowledged before the debate.

The controversy is a political minefield for many lawmakers as well as for

Mr. Clinton. Polls show most Americans favor abortion rights but have serious reservations about late-term procedures.

Congressional Republicans also moved closer to a showdown with Mr. Clinton on another issue, as the House approved an \$8.4 billion supplemental spending measure that included a provision to prevent government shutdowns such as those that occurred during the partisan battle over the federal budget two years ago.

Mr. Clinton has vowed to veto the measure, which passed on a 244-to-178 vote, over the 60-shutdown provision. The bill also includes \$2 billion for peacekeeping operations in Bosnia and the Middle East.

Defense Makes A Point in McVeigh Trial

Washington Post Service

DENVER — An FBI fingerprint expert has conceded that no fingerprints of the Oklahoma bombing defendant, Timothy McVeigh, were found on a rental receipt for the Ryder truck used in the blast, inside the Ryder dealership, inside lockers the government believes were used to store explosives used in the bomb, or on the Ryder truck key found in Oklahoma City after the bombing.

The FBI specialist, Louis Hupp, repeated earlier testimony that Mr. McVeigh's fingerprints had been found, however, on a receipt for ammonium nitrate, which prosecutors allege was used to make the bomb that exploded April 19, 1995, killing 168 people.

Mr. Hupp said it was fairly common for items such as those examined to show no prints because people often remove oils and other residues by washing or wiping their hands. "It's a chance impression and there must be something on the fingers to transfer," he said.

The expert's testimony was the first bright note in days for the defense, which has watched a parade of prosecution witnesses identify Mr. McVeigh as the man who rented the Ryder truck, chased out the Alfred P. Murrah Federal Building and openly expressed his hatred for the federal government.

'Clock' Gene Holds Hope on Body Rhythms

By Curt Supplee
Washington Post Service

WASHINGTON — Scientists are much closer to understanding the causes of a host of maladies, from jet lag and shift-work problems to sleep disorders related to aging, thanks to striking new research on the brain's "biological clock" — the tiny but mysterious aggregation of cells that dictates the body's daily rhythms.

In the Friday issue of the journal *Cell*, Joseph Takahashi and colleagues from Northwestern University describe "definitive proof" that a previously unknown substance has a key role in controlling the biological clock in mice. They identify the gene that determines the presence of the chemical.

It is the first time that any such gene has been isolated in a mammal. There is "every reason to expect that it will inform us about how the human clock works," said Charles Weitz, a molecular neurobiologist at Harvard Medical

School, adding that practical medical applications "are still a long way off."

The finding is "a major scientific step," said Steven Hyman, director of the National Institute of Mental Health, which partly supported the research. "Understanding biological clocks," he said, "has important implications for human health," including the genesis of "devastating disorders such as manic-depressive illness."

Every plant and animal has a system that regulates changes in its internal functions on roughly a 24-hour basis. In humans, these fluctuations — called circadian rhythms from the Latin words for "around the day" — affect not only cycles of sleep and wakefulness, but also hormone levels, metabolic rate, body temperature and sundry other variables.

Normally, each individual's clock is reset daily by the perception of light. But even in complete darkness, the body continues to maintain a 24-hour schedule, following the master pacemaker in

the brain. That clock resides in a deep central structure called the hypothalamus, just above the point at which the optic nerves cross in mid-brain. Embedded there are about 10,000 special cells that send out electrochemical signals in a 24-hour timing pattern.

Researchers have been scrambling to identify the clock's components. A few critical clock genes are now known only in relatively simple creatures such as fruit flies or fungus.

For years, Mr. Takahashi's group at Northwestern has been using breeding techniques to search for a clock gene in mice. Mice are remarkably regular in their exercise habits and will run on a wheel only for a relatively precise period of time that seemingly is governed by their sense of day length.

The gene found by Mr. Takahashi's lab orders the production of a crucial protein that apparently serves as a major regulator of the 10 or so other, still unidentified genes thought to affect circadian rhythm.

Where's Heisman Trophy? Don't Ask Simpson

Los Angeles Times Service

SANTA MONICA, California — Where's the Heisman Trophy? O. J. Simpson, under oath for the first time since a civil jury found him liable for the June 12, 1994, slayings of his former wife Nicole Brown Simpson and

her friend Ronald Goldman, said he did not know the whereabouts of the trophy he received in 1968 as the country's top collegiate football player.

Nor did he know the whereabouts of more than 100 other valuable items, which a Santa Monica court ordered

seized to satisfy part of the \$33.5 million civil judgment against him.

Lawyers for Fred Goldman, Ronald Goldman's father, spent all day grilling Mr. Simpson behind closed doors in a jury room of Santa Monica Superior Court.

BOOKS

TWILIGHT AT THE EQUATOR

By Jaime Manrique. 198 pages. \$23.95. Faber and Faber.

MY NIGHT WITH FEDERICO GARCIA LORCA

By Jaime Manrique. 121 pages. Paperback, \$12. Pointed Leaf.

Reviewed by Ilan Stavans

JAIME MANRIQUE is known as the creator of an exuberant and hilarious human comedy filled with disenfranchised characters that, in general, don't want too much from life other than to experience the present at its fullest. —hookers, would-be poets, drug lords, and naive natives living in a hedonistic universe ruled by sex and political corruption. They are enormously appealing, perhaps because they all seem quite conscious of their theatricality, well aware of their proximity to exaggeration, as if Manrique, by crafting them, begged us to place him alongside Pedro Almodovar. Manuel Puig and other masters of what in Spanish is known as *lo cursi*: burlesque sentimentality.

Nothing would be easier, of course, but there is more to him than simple imitation. The bonfire of amoral vanities, to play with Tom Wolfe's famous title, is Manrique's main motif. Born in

Colombia in 1949, he immigrated to the United States — and thus, to English — in his early childhood. Read consecutively, his entire oeuvre is clearly shaped as an autobiography-in-progress, a coming-to-terms not only with his tyrannical and negligent father but with the strict, homophobic code of behavior of the Hispanic world, even when that world is extracted from its own habitat and transplanted north of the Rio Grande — to Queens and Manhattan.

This displacement is at the heart of his world view: Manrique's most memorable creation, Santiago Martinez Ardiola, sometimes known as Sammy, is a mongrel, a hybrid, neither fully Colombian nor totally American but an in-between. He is, obviously, the writer's alter ego, a mirror through which Manrique, in English, exorcises his own ghosts and subverts Hispanic machismo.

Although Santiago is the center of gravity in Manrique's 1993 novel-as-carnival, "Latin Moods in Manhattan," about lowlife in Times Square and Queens' Little Colombia, one can actually trace his birth much earlier — to the writer's debut story collection, "El cadaver de papa" ("Papa's Corpse"), originally written in Spanish and published in 1978. The picture of Santiago that emerges is that of an emigre artist hungry for pleasure and

literary achievement. Manrique is adept at ridiculing the style known in the United States as magical realism. Indeed, his fiction often reads like a response to the Latin-American masters of the '60s: his characters, for one thing, are globetrotters and sinners, but they are neither mystical nor magical; they thrive in urban centers and seem allergic to Western values. But what truly characterizes his style is his obsession with homosexuality.

That Manrique's oeuvre has become more radical, more explicit with the years is evident in his latest novel, "Twilight at the Equator," at once prequel and sequel to "Latin Moods in Manhattan." In it we witness Santiago's many sexual encounters as he wanders from Spain to Colombia and finally settles in New York. The book begins in 1976, with Santiago arriving in Madrid while dreaming of becoming "the Colombian Sylvia Plath," and it ends in a present-day Manhattan, with him being kissed by his all-time idol, Carmen Maury, one of Almodovar's leading actresses. In the interim, we witness his adventures with boys, his struggle to free himself from his father's shadow. Graphic descriptions of sex abound.

Manrique, it strikes me, has ceased to write against magical realism; instead, he has relocated himself in an altogether different Hispanic

literary tradition: the one established by the incendiary prose of Reinaldo Arenas. This change does not come as a surprise.

The enormously successful publication of Arenas's posthumous autobiography, "When Night Falls," was for many a liberating experience; in its crude and cruel honesty and explicitness, the book pushed gay writing, particularly in Spanish, to altogether new heights. Manrique, clearly, is capitalizing on its contribution.

The north/south dichotomy is made clear in the new edition of Manrique's 1995 bilingual poetry collection, "My Night with Federico Garcia Lorca," translated by Edith Grossman and Eugene Richie. The poems, also about his dogmatic father, about sexual identity, about high-brow idols and pop icons (not only Garcia Lorca but writer Edouard Roditi, painter Federico Edwin Church, and Marco Polo parade through its pages), are not only romantic but utterly gentle and conventional, as if Manrique's raw English voice needed to be domesticated to become a Spanish

melody — as if a part of him were still in the '50s while the other is ferociously alive in the '90s. As a writer, obviously, he stands divided, but divisions such as these are inevitable in transcultural dwellers. In fact, they are essential to their artistic contribution.

Ilan Stavans teaches at Amherst College. His books include "The Hispanic Condition" and, due out in August, "The Oxford Book of Latin American Essays." He wrote this for The Washington Post.

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Refugee Mobs Terrorize Serb Villages in Croatia

Dozens Flee Beatings; Homes Are Wrecked

By Chris Hedges
New York Times Service

KOSTAJNICA, Croatia — Mobs of Bosnian Croat refugees have rampaged this week through at least four Serbian villages here breaking into homes, smashing household contents and forcing dozens of terrified Serbs to flee in terror to the safety of the surrounding woods, according to international relief officials and residents.

The attacks are part of a mounting campaign by groups of ethnic Croats, who have been resettled in Croatia and many of whom now live in homes that belong to Serbs, to drive the some 100,000 remaining Serbs from the country or block any returning Serbs from resettling in their communities.

The incidents follow Zagreb's sweeping confiscation of Serbs' homes and attempts to distribute the property to ethnic Croats living in Bosnia, Serbia or in exile in such countries as Germany.

Human rights and relief officials said that if the police did not take action to return the Serbs, most of whom are elderly, to their homes, then this would give a green light to all Croats who want to purge Serbs from Croatia.

Before the war, there were 600,000 ethnic Serbs in the country. The Dayton peace agreement gives the half million Serbs from Croatia the right to go back to their homes in Croatia. Only 2,000, however, have been able to return.

"This probably started as a spontaneous reaction by angry Croats, but by Wednesday it was well organized," said Zarko Puhovski, an official of Helsinki Watch. "All local schools are now closed in this area so children can gather with their parents for daily protests calling for the expulsion of the Serbs. This has become a huge test of the government's authority. If these assaults

work, if the Serbs do not go back to their homes, then you can expect to see these assaults repeated throughout Croatia."

Helsinki Watch officials also said they had reports that some Serbs were beaten by Croatian men in military uniforms. They criticized the local police for being "passive" in the face of the attacks. The police in Kostajnica, 130 kilometers (80 miles) southwest of Zagreb, said there had been no arrests.

It was unclear Friday evening how many homes had been ransacked and how many people were in hiding. But the number had probably climbed into the dozens, with four villages now emptied of Serbian inhabitants.

"On Tuesday night a crowd of about 70 Croats surrounded my house shouting, 'Get out, Chemik,'" said Pero Birac, 49, referring to the term used in World War II to describe Serbian irregular soldiers. "They beat down the door, overturned and smashed everything in my house. I jumped from the window and tried to run but they caught me and the men beat me. When I was lying on the ground being kicked the children pelted me with eggs."

Mr. Birac, who was born in the house in Umetici just outside of Kostajnica, hid in a neighbor's house for a day before fleeing to Zagreb.

About two-thirds of those who lived in this area before the war were ethnic Serbs. The Serbs formed a rebel enclave in 1991, when Croatia won its independence. The area was seized by the Croatian military in 1995, and nearly all the 200,000 Serbs in this region fled to Serbia or the last enclave held by Serbs in Eastern Slavonia. Eastern Slavonia is to be handed back to Zagreb in July. At least half of the 120,000 Serbs there are expected to flee, although under the UN accord they were supposed to return to their homes in Croatia.

BRIEFLY

China Sentences 4 For Gun Smuggling

DALIAN, China — A court Friday sentenced four people to prison terms of up to 14 years for smuggling 2,000 automatic weapons into the United States, the Xinhua press agency reported.

The guns, the biggest haul of smuggled automatic weapons ever seized by U.S. customs, were part of a deal made by a group of employees at China's biggest munitions merchant, China North Industries Corp.

The Dalian City Intermediate People's Court sentenced Qi Feng, former manager of the Duowei Science and Technology Co. in Beijing, to 14 years in prison for illegally exporting the firearms to the United States. Xinhua said.

The court sentenced three others. Lu Yilun, Qin Qixiu and Guo Chengkun, all employees of China North Industries or its subsidiaries, to sentences of three to four years for "dereliction of duty," the agency said. (Reuters)

Anti-Castro Protesters Get a U.S. Warning

WASHINGTON — Cuban-Americans planning to demonstrate Saturday in international waters off Cuba were warned by the U.S. State Department that they could be in serious danger if they crossed into Cuban waters.

While voicing support for the right to protest peacefully against the Cuban government, the department's spokesman, Nicholas Burns, reminded the protesters that Havana was prepared to defend its waters.

If Cuba detained any of the protesters, Washington would have a limited ability to assist them, Mr. Burns said, urging "the greatest possible restraint."

Cuban-American organizers of the demonstration against President Fidel Castro plan to head out from Florida in



ANGER IN SEOUL — Two residents of the South Korean capital fleeing the smoke of gas bombs thrown Friday by students rioting against the government's alleged role in the collapse of the Hanbo conglomerate.

boats and planes. They are aiming at sites in international waters and airspace off Havana, Cabarien and Santiago de Cuba.

Afghan Commander Slain With 10 Guards

ISLAMABAD, Pakistan — A senior Afghan commander in the northern Uzbek army led by General Abdul Rashid Dostum has been assassinated in the northern city of Mazar-i-Sharif, an official of the faction said Friday.

Mullah Abdur Rahman Haqqani, an ethnic Uzbek, was killed with 10 bodyguards Thursday, said Jandal Fateh Mohammed, a spokesman here for General Dostum's army faction.

Mr. Haqqani commanded 500 regular troops for the general, but could raise about 2,000 irregulars in time of need, the Afghan Islamic Press agency in Pakistan reported.

The news agency said Mr. Haqqani's assassination coincided with new tensions between General Dostum's faction and another group led by a former government commander who is also fighting the Taleban. Ahmed Shah Masoud. (Reuters)

For the Record

Prime Minister Lien Chan of Taiwan survived another effort to topple him Friday over the government's response to the nation's spiraling crime rate. The governing Nationalists de-

feated three motions brought in Parliament by an alliance of the New Party and the Democratic Progressive Party. The votes came one day after President Lee Teng-hui apologized to the public for the crime wave and promised an all-new cabinet in July. (AP)

Seoul on Friday pledged to provide North Korea with \$10 million in food aid, and the South Korean Red Cross proposed another round of talks with its northern counterpart on speeding relief deliveries. The promised 50,000 tons of corn and 300 tons of powdered milk would be added to \$6 million worth of aid that has already been delivered to the World Food Program, which has appealed for 200,000 tons of aid worth \$98.5 million. (Reuters)

Royals vs. the Press

Japan's Emperor and Empress Deny Avoiding the Public Eye

Agence France-Press

TOKYO — Appearing Friday at their first joint news conference in two and a half years, Emperor Akihito and Empress Michiko rejected suggestions they have not been appearing in public often enough.

"If we are shown specific examples of how we should appear in public and how to mingle with people in a natural way, we will have them considered by the Imperial Household Agency," the emperor said.

The emperor also spoke of the pain he felt during the recent hostage crisis at the Japanese ambassador's residence in Peru.

"I felt pain in my heart thinking that the many people who gathered for a reception to celebrate my birthday were taken hostage and that 72 of them had to tolerate more than four months of difficulties," he said.

Speaking to about 30 reporters at the imperial palace ahead of the couple's two-week trip to Brazil and Argentina next month, Akihito acknowledged he and his wife had recently had "not so many" engagements outside their palace.

"But we have had a considerable number of appointments at the palace," he said. "We have especially had a number of engagements here related to foreign countries."

"I believe having foreign

guests here is meaningful, as it makes us aware of what is happening in the world."

He was responding to a question from the foreign media asking why the imperial couple did not seem to be making many public appearances and did not appear to have "natural exchanges" with their Japanese subjects.

Empress Michiko spoke at length on the imperial couple's engagements, occasionally appearing to be on the defensive.

"I had my schedule over the past month reviewed," she said. "I had 12 appearances in public," including visits to welfare facilities, a Red Cross meeting and a charity concert to raise funds for removing land mines.

After the news conference, officials of the Imperial Household Agency took foreign reporters aside to say that, although the emperor and empress had been "very busy," they were not avoiding the public.

"They do not just have eminent people as guests," an official said. "The guests include ordinary people. There are nurses and fishermen, for example."

Another official added that security was a factor. "What do you want him to do, walk around in Kabukicho?" he asked, referring to Tokyo's biggest red-light district. "I don't think the police would let him do that."

Harry Blackstone Dies; A Master of Illusions

By Barry Bearak
New York Times Service

Harry Blackstone Jr., 62, a magician who made handkerchiefs dance across a Broadway stage and globes of light float above his audience, who made elephants vanish and turned beautiful women into Bengal tigers, who saved his wife in half 17 times a week during their 23 years of marriage, died Wednesday in Loma Linda, California.

The cause of death was pancreatic cancer, said Tom Dewhurst of the San Bernardino County coroner's office. The son of the "Great Blackstone," one of the century's master illusionists, Harry Jr. was born in Coloo, Michigan, on June 30, 1934.

He first appeared in a magic act when he was 6 months old. His nanny had to leave early that day, and his mother was left with no choice but to take Harry Jr. onstage, where she usually posed as the Statue of Liberty and was made to disappear. She substituted a baby bottle for her torch.

The Blackstone household was a sorcerer's creative lair, the laboratory where refine-

ments were contrived for such foolery as the Hindu rope trick. The elder Blackstone once estimated that his hat and sleeves had yielded 80,000 rabbits.

However successful the family business, Harry Jr. was advised by his father to find a profession that required less sleight of hand. He did so, going into newspaper reporting, radio broadcasting and television production.

But after his father died in 1965, he decided to pick up the wand. Onstage, he cut a different figure, with dark hair and a goatee instead of a long white mane, spangled nuxedos instead of black tie and tails. But like his father, he was always firmly in control, selling mystery with a commanding glance and a single raised eyebrow.

He brought his "magnificent, magical show" to the Majestic Theater in New York in 1980. The extravaganza called for hundreds of rabbits, a camel, a donkey, a tiger, an elephant and 56 humans, including the patient wife who shared the spotlight with a noisy 36-inch buzz saw. The Broadway run lasted five months.

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Truth in South Africa

On the last day that South Africans could apply for amnesty from apartheid-era crimes, leaders of the governing African National Congress disclosed their involvement in hundreds of misdeeds. One of those seeking amnesty is Deputy President Thabo Mbeki, who is likely to become South Africa's next president. He and his party colleagues have done the right thing in so clearly demonstrating their respect for the rule of law.

South Africa's Truth and Reconciliation Commission has mostly dealt with crimes committed by the apartheid-era regime. Because of this, some whites have attacked the commission as a witch-hunt. But the commission's emphasis is fully justified. The white government's atrocities were far more widespread and severe than those of the anti-apartheid forces, who turned to armed struggle only after the ANC was banned. Some apartheid-era hit men and police in their confessions have exposed decades of official lies. Several policemen, for instance, acknowledged that they killed the Black Consciousness leader, Steven Biko, in 1977. Their accounts refuted the white government's long-standing claim that Mr. Biko had died accidentally.

The commission, under the leadership of Archbishop Desmond Tutu, has been evenhanded. Its members come from across the political spectrum. When President Nelson Mandela amended commission hearings in Johannesburg, Archbishop Tutu made a point of calling a witness who testified about ill treatment in an ANC training camp. Archbishop Tutu had threatened to resign from the commission if the ANC leadership failed to report its misconduct.

A full account of ANC crimes will

not emerge until public hearings on the amnesty applications later this year. Mr. Mbeki's application apparently covers decisions made by the ANC's national executive commission while he was a member. Earlier this past week, he and other ANC leaders went to the Truth Commission to detail some of the party's crimes. They included the execution of suspected spies and the bombing of the white government's military headquarters, as well as the use of torture in an ANC training camp.

The Truth Commission has had mixed success in persuading apartheid-era officials to apply for amnesty. The vast majority of serious applications come from low-level officials, including people who committed some of the most notorious murders and bombings. These are important, and South Africans are likely to learn far more about the crimes of the dictatorship than do the citizens of other nations that confront past repressions.

But only two apartheid-era cabinet members have applied. F. W. de Klerk, the last president under apartheid, has called apartheid-era officials "good and honorable men" and said his government did not approve or condone the crimes that took place. This seems oddly myopic for a man who had the good sense to recognize the inevitability of black rule in South Africa and helped manage a peaceful transition to it.

The ANC admissions stand in brave contrast. The party was justifiably proud that even before it took power, it carried out two investigations of abuses in its training camp, and published the results. The party has now made clear that neither the political purpose of a crime nor the high office held by its perpetrator can lift an act above the law.

—THE NEW YORK TIMES

Suharto's Crackdown

The world's fourth most populous country, Indonesia, is holding a general election May 29. The ruling party has announced that it intends to win with 70.02 percent of the vote (up from 68 percent last time around). Its confidence may in part be explained by the fact that, as one Indonesian general recently said, "opposition parties do not exist in Indonesian democracy."

President Suharto, who has been in power for more than 30 years, has governed his nation autocratically, but his reign has not been entirely despotic. At least until recently, one couldn't imagine the Indonesian regime sending someone to jail for possessing a fax machine, as the Burmese junta does. The press and nongovernmental organizations, inside very definite limits, were allowed some room to maneuver. And the economy has performed impressively, growing at an annual rate of 6 percent during the 1980s and nearly 8 percent this decade. Today, only one in seven Indonesians lives in poverty, as officially defined — a remarkable achievement.

In other Asian nations, such as South Korea and Taiwan, this kind of economic growth led to political liberalization. In the early 1990s, it seemed as though Indonesia was cautiously taking the same path. But in the past three years, Mr. Suharto has reversed course, putting his nation's future in peril. At the age of 76, he refuses to make any provisions for an orderly succession. His relatives and cronies are enriching themselves in an increasingly corrupt

atmosphere, sparking resentment even as the overall economy grows.

Recently, and particularly as elections approach, the regime has cracked down hard, arresting labor organizers and political opponents alike. Megawati Sukarnoputri, daughter of a previous president and a potential opposition figure with popular appeal, has been essentially banned from public life. Students have received jail terms of more than 10 years for urging democratic reform. In March the government arrested a former member of Parliament, Sri Bintang Pamungkas, and charged him with subversion. His crime: sending out greeting cards urging people not to vote in the May 29 election.

Unique features of geography, ethnic mix and religious diversity give Indonesia reason to move cautiously in any reforms; these are matters that Indonesians themselves will have to sort out. But outsiders can play a role, offering to send election observers May 29 and speaking out for Indonesian prisoners of conscience. In July, the United States will send its representatives to Tokyo for the World Bank's annual gathering of donors to Indonesia, where they should make their concerns clear. This would not be a matter of interfering in Indonesia's internal affairs but rather of wanting to invest wisely. For if Mr. Suharto does not give his nation's civil society a chance to breathe and develop, the nation's economic prospects also must be considered cloudy at best.

—THE WASHINGTON POST

Other Comment

Honduran Indians

In an act of unnecessary violence, armed soldiers and police forces of Honduras broke up a camp of peaceful Indian protesters this past week in front of the presidential mansion in Tegucigalpa, the capital. The issue was land, and the Honduran regime has been sadly consistent in this affair. The governments of Honduras and every other country in the Western Hemisphere have abused, failed and taken the land of almost all of the inhabitants whose ancestors saw the first Europeans come ashore 500 years ago.

The Honduran Indians are calling for a fair restoration of ancestral lands and an investigation into the murders of some of their tribal leaders. Chances that they'll get either are slim.

Natives of the towns of Lenca, Chorti, Tolupan, Xicape, Pech and Garfuna, along with the Miskito tribes, are demanding their rights, cor-

rectly pointing out that they were first deprived of their land by Spain's conquistadors. That's ancient history but clearly the beginning of a problem that has become more intractable with time. The Honduran tribes' march to the capital demonstrates that they are running out of patience, but so far they have refrained from violence.

In a futile attempt to solve land disputes in the 1980s and '90s, different Honduran administrations implemented a series of partial and inefficient agrarian reforms. As the reforms were being executed, so too were peasant leaders. Private armies and the military were accused in the killings, but no one stood trial.

A responsible government would investigate the killings. The Honduran Indians have sought land, justice, even mere compensation for 500 years. They should not be made to wait longer.

—Los Angeles Times

France Clung to Mobutu Too Long: A Warning

By Jim Hoagland

WASHINGTON — The phone rang in my Beirut apartment on a humid summer day in 1975 with what I was sure would be the first of many indignant calls praising or challenging a series The Washington Post had started publishing that morning. My articles detailed extensive, corrupt connections between U.S. corporations and Arab moneybags who sought to buy political and national security influence in America.

"That was a heck of a piece," my American caller said down the long-distance line. "Could you tell me the phone number of that Adnan Khashoggi guy? I've got a deal he could be helpful in."

I hung up in disbelief. But by the end of the series, calls and letters dedicated to doing deals far outnumbered those expressing indignation at international corruption. I had gained a new perspective on an age-old phenomenon that stands at the heart of world politics and of globalization today.

The final, chaotic days of Mobutu Sese Seko in Zaire point up how much has changed and how much remains the same in the scramble for commercial and personal advantage when governments and political systems are under stress.

"We always said it was Mobutu or chaos, but in the end it was Mobutu and

chaos," a French official observed glumly as the rebel forces commanded by Laurent Kabila began their big push on Kinshasa this past week. The official was acknowledging that Paris, operating under a generation-old vision of its centrality to postcolonial Africa, clung to its own crook too long and would now pay a price.

American, British and South African businessmen have been eagerly bunting down the cellular telephone number of Mr. Kabila and closing deals in the jungle as the civil war raged. French firms stuck with Mobutu, to the point of paying the bills for Serb mercenaries, who failed to shore up the dictator's crumbling defenses.

Or so the story goes. Few in France would believe that their government did not have a hand in recruiting those mercenaries. That would be standard practice in the secret networks that French governments have nurtured with Africa to replace the colonial links dissolved three decades ago.

Aid grants and business contracts flow along the networks from Paris to African governments, which then kick back large sums to the political parties in France, according to Jean-François Bayart, director of the Paris interna-

tional-affairs think tank known as CERI, and many others.

As Mr. Bayart pointed out this past week in the Paris daily Le Monde, the system was created by the Gaullist leader Jacques Foccart. But it also flourished during 14 years of rule by the Socialist François Mitterrand, who put his son in charge of Africa. Even after Zaire, Mr. Bayart predicted, "France will not renounce Foccartism. All the political parties continue to benefit from it."

I wonder. There is something nostalgic, even anachronistic, about the French standing with Mobutu to the last cobalt contract. This represents old thinking that probably cannot be sustained in the modern game of influence buying and peddling.

Today's more entrepreneurial global economy does not tolerate sentimentality or slowness. Anglo-Saxon politicians and businessmen grasped quickly that Mr. Kabila's war, backed by Zaire's English-speaking neighbors and Angola, offered a wonderful diversification opportunity.

The Anglo-Saxon style in these matters avoids permanent networks and overly intimate entanglements with Third World despots. Washington simply turned a blind eye to Mobutu's theft of billions and got on with its political and diplomatic dealings with him.

While the French sought their slice of Mobutu's rotten pie, the Americans pretended not to know how it had been baked.

Such moral blindness carries its own risks in societies that are not forgiving or as dependent on outside help as those of sub-Saharan Africa.

Corruption is the biggest single political issue on the horizon in Russia and China as assets once owned by Communist governments are stripped from the politically powerful. Corruption powers the grievances of dissidents in oil-rich Saudi Arabia and Indonesia. Corruption undermines President Bill Clinton's hopes for a stronger partnership with Mexico.

But the response from Washington is to see, hear and speak little or no evil — not to make corruption a big issue in dealing with these countries. The commercial diplomacy pushed by this administration has instead helped encourage Americans and others to pursue narrow economic advantage even harder and to discount the problems that corrupt practices inevitably create.

Paris is about to harvest its punishment for tolerating too much from Mobutu too long. It is a lesson that should not go unnoticed by Washington in its eager reaching out to grasp the next set of sticky fingers.

The Washington Post

U.S. Armed Services Need Enough Money to Get the Job Done

By Fred Hiatt

WASHINGTON — It's almost enough to make one nostalgic for Caspar Weinberger and the contentious 1980s. In all the current arguing about balancing the U.S. budget and cutting taxes, no one is fighting over defense.

This nondebate isn't due to the military's being a noisemaker. On the contrary, almost everyone agrees there's a major mismatch between the Pentagon's strategic goals and the money it's slated to receive during the coming years. But it's peace-time, and no one wants to spend more. So you can look forward to all manner of hypocrisy in the coming months.

The administration is finishing a congressionally mandated quadrennial review of threats, capabilities and long-term needs. This review, it will say, has been "strategy based," not "budget based," which is perfectly true, as long as you understand that no strategy was allowed into consideration if it cost more than about \$270 billion per year.

Conservatives in Congress will demand the Pentagon spend more on weapons procurement, and especially on the hallowed cause of missile defense — as long as total spending doesn't rise and no dollars are diverted from bases, depots or contractors in their districts. Liberals want the military to do more, too — bringing democracy to Haiti, keeping the peace in Bosnia and so on — but they will argue the Pentagon can do it for less. After all, the Cold War is over; where's the peace dividend?

In fact, since the end of the Cold War the military has shrunk from an active strength of more than 2.1 million men and women to just over 1.4 million. Annual spending has decreased since the height of the Reagan buildup from about \$400 billion to about \$250 billion, in equivalent, inflation-adjusted dollars.

Yet deployments haven't slowed down, and congressional studies suggest the military is growing a bit ragged at the edges as a result. Budgets for weapons modernization keep getting diverted to current operations and readiness, with procurement pushed further into the future each year.

This clearly isn't good. Why should it be acceptable to hawks and doves alike? Here are some of the arguments you will hear: • The nature of war is changing, so the Pentagon doesn't need so many planes, ships and tanks. Instead, it will control the battlefield of the 21st century with — and here you may fill in the blank as you choose. Computers, satellites, laser beams; whatever it is, the experts assure us it will cost less.

It's true that the military has to keep up with revolutionary change in weapons technology. Historical precedent does not

suggest, however, that this will save money. In the meantime, the Pentagon must be prepared to deter wars today — with planes, ships and tanks.

• The United States should spend more on diplomacy and war prevention instead of throwing dollars at the military. Well, the first part is true. Short-sighted is too kind a word for a policy that spent billions fighting communism in Central America and now begrudges tens of millions to shore up democracies there. But diplomacy isn't a substitute for military strength; it depends on it.

• The United States can't afford to spend so much on its military. This was a common argument in the 1980s, when the United States was devoting more than 6 percent of its total economy to defense; that's why we were losing out to Japan, it was often said. Since then, Ja-

pan's economy has gone into the tank, and the U.S. economy is the envy of the world. Defense spending, meanwhile, has declined to about 3 percent of the total U.S. economy.

• The United States should pull troops and ships back from Japan and Europe, which are plenty rich enough to defend themselves.

They are, and the United States could defend its own territory for a lot less than \$270 billion per year. But by staying engaged in the world, the United States isn't just doing favors for its allies; it's enforcing rules and defending interests that pay off many times over, commercially and otherwise. Pulling back is fine if you don't mind asking Japan's permission, say, when it comes time to defend Taiwan. But if you want to control your own destiny, you have to pay a price; and if you want to maintain the peace, you have to work at it.

• The Pentagon could find all

the money it needs by eliminating waste, fraud and abuse. Defense Secretary William Cohen will soon appoint a task force to push the Pentagon toward more businesslike operations.

But every defense secretary from Robert McNamara through William Perry hoped to save billions of dollars through reforms, billions that always prove elusive. And most of the reforms that would really save money will be challenged by those champions of national security on Capitol Hill.

For example, Trent Lott, the Senate majority leader, is demanding that the navy abandon what's cost-effective and throw more business to his home-state shipyard — never mind the cost. The air force planned to move four unneeded transport planes out of Kentucky, and so Senator Wendell Ford has put a hold on the promotions of five air force generals.

The Washington Post

In Internal Wars, Air Power Should Have the Edge

By Benjamin S. Lambeth

PLAYA DEL REY, California — With the May 19 reporting date for the Pentagon's Quadrennial Defense Review almost upon us, there should be no mistaking the core challenge facing American defense planners. The issue of greatest concern needlessly duplicative service roles and weapons programs at a time when procurement funds are at a near all-time low.

The most important choices between new air and space technologies offering a proven edge in combat effectiveness and an increasingly anachronistic approach in which America's air and space assets are viewed solely as supporting ad-

juncts to surface forces. Ever since the successful conclusion of Operation Desert Storm six years ago, an impasse has existed between soldiers and airmen over this issue.

Although there has been recurrent sparring between the air force and navy over the extent to which carrier-based aviation has contributed its fair share for the disproportionate cost it represents, the main confrontation has been between the air force and army over the more basic question of whether air power — in all services — has displaced land power in contributing the most toward achieving

joint-force objectives in war. Without question, this issue has high budgetary stakes. Yet it ultimately involves a more principled clash between what have become, in effect, two opposed American ideologies of warfare. The army continues to insist that the proper role of air power is to support land operations. It remains wedded to the mantra that "boots on the ground" constitute not just the definitive measure of victory in war but an indispensable precondition for achieving such victory.

In contrast, air power professionals maintain that the synergy of stealth, precision attack capability and what has come to be called "informative dominance" now enables the nation's air and space assets to produce decisive results on the ground at only a fraction of the previous cost in human life.

No responsible air power professional has claimed that air power can invariably substitute for land power or that the new capabilities of air and space power obviate the need for robust land forces. Yet airmen insist, and rightly so, that air and space assets now have the potential to carry the lion's share of the burden for determining war outcomes, thus enabling surface forces to achieve their goals with a minimum of effort and bloodshed.

The writer, a defense analyst writing a book on American air power, contributed this comment to the Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1897: Greek Defeat

PARIS — Greece's last struggle with the invader whom she so boldly defied has terminated in final defeat. The Turkish forces are said to be in possession of Domoko, which would mean that the Hellenic army has been hopelessly routed and nothing can now prevent a victorious march on Athens, unless hostilities be forthwith suspended. The Great Powers are unanimously determined not to allow Turkey to secure the fruits of her victory. The question is how are they going to impose their wishes on the conquerors?

1922: Unhealthy Sport

PARIS — A vigorous campaign is being pursued in England against the increasing popularity of masculine sports among women. Seemingly, it cannot be dismissed lightly as a reaction-

ary and feminist movement, nor does it appear to be merely one aspect of post-war repentance for hastily awarded liberties. Supported by eminent educators and physicians, the movement rests on biological verities. The pursuit by women of football, hockey and other vigorous sports is not lamented as unwomanly, but is opposed because of considerations of the racial good.

Nevertheless, although it took all force elements to produce the allied victory in Desert Storm, the army's 100-hour ground offensive was preceded by more than a month of nonstop aerial preparation, which singularly accounted for the army's low incidence of fatalities.

Current American air and space options offer the promise of dealing decisively with enemy ground forces from stand-off ranges, thus eliminating a threat to U.S. troops who might otherwise have to engage their enemy counterparts directly and run the risk of sustaining high casualties. This not only permits but indeed dictates major trades among service roles, in the interest of eliminating needless duplication and getting the most out of the nation's declining defense dollars.

The writer, a defense analyst writing a book on American air power, contributed this comment to the Herald Tribune.

1947: A Saner Method

NORTHFIELD, N.J. — It is now possible for the first time in twenty-four years to obtain a marriage license here without going to the insane asylum. Dr. Edward Guion, city registrar of vital statistics and medical director of the insane asylum, has been issuing licenses from his office at the asylum since 1923. Now he has retired, and Mrs. Rice has been appointed registrar and will issue licenses at the city hall.

Mobutu:

Continued from Page 5

...the French sought their slice of Mobutu's rotten pie, the Americans pretended not to know how it had been baked.

Such moral blindness carries its own risks in societies that are not forgiving or as dependent on outside help as those of sub-Saharan Africa.

Corruption is the biggest single political issue on the horizon in Russia and China as assets once owned by Communist governments are stripped from the politically powerful.

Corruption powers the grievances of dissidents in oil-rich Saudi Arabia and Indonesia. Corruption undermines President Bill Clinton's hopes for a stronger partnership with Mexico.

But the response from Washington is to see, hear and speak little or no evil — not to make corruption a big issue in dealing with these countries.

Paris is about to harvest its punishment for tolerating too much from Mobutu too long. It is a lesson that should not go unnoticed by Washington in its eager reaching out to grasp the next set of sticky fingers.

ZAIRE: Mobutu

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California: Poll

Continued from Page 1

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Mobutu: The Model of an African Autocrat

Continued from Page 1

His cult of personality rose to such heights that, for weeks at a time, Zaire's official press was forbidden to mention the name of any Zairian other than the president himself.

In three decades of power, Marshal Mobutu almost singlehandedly invented Zaire, even giving the country its name to replace the colonial name of Congo. By the same token, his appetite for luxury and wealth made corruption the most salient characteristic of a state whose new name, Zaire, with time became a synonym for corruption.

Marshal Mobutu may have dreamed of greatness for his nation, but he leaves behind a land in ruin, where revenue from lucrative mines has been squandered or stolen, while life in a vast countryside deprived of roads, health care, electricity, telephones and often education has reverted to a brutishness not known since the colonial period.

Still, even many of Marshal Mobutu's harshest critics acknowledge one achievement, and it is a major one in an Africa of artificially drawn states riven by ethnic animosities.

Inheriting a land of more than 450 ethnic groups that had French as an official language, but no commonly spoken tongue, Marshal Mobutu managed to forge a sense of nationhood in Africa's third-largest country as strong as exists anywhere on this continent.

At the same time, Zaire experienced a period of extraordinary cultural creativity, in song, in dress and in art. This came about partly as a result of efforts to favor local influences over foreign ones, and partly because of the need of Zairians to survive by their own means in the absence of a functioning government.

Throughout a career that began at

independence from Belgium, during the height of the Cold War, Marshal Mobutu seemed to thrive on crises, buying off enemies when he did not kill them outright, and currying favor with Washington by allowing his country to be used as a base in wars against Soviet influence in central and southern Africa.

But Laurent Kabila's seven-month fight revealed Marshal Mobutu's army to be toothless and his government an empty shell. In the end, the undoing of a man known as a master calculator resulted from a long series of costly misjudgments of a sick and aging politician well past his prime.

Marshal Mobutu's ascent began in September 1960, at the dawn of Zaire's independence, when he seized power during quarrels between President Joseph Kasavubu and Patrice Lumumba, the country's first prime minister. Joseph Mobutu, a journalist and army sergeant, was picked by Mr. Lumumba as chief of staff and prodded toward the center of the political stage by the U.S. Central Intelligence Agency.

During the early independence years, the CIA called most of the shots in Zaire. Although he has always denied it, many scholars believe that Marshal Mobutu helped organize the 1961 execution of Mr. Lumumba at the urging of the CIA.

When Marshal Mobutu finally seized power outright, on Nov. 24, 1965, after American help enabled him to extinguish a series of regional uprisings by followers of Mr. Lumumba, he wasted little time putting his stamp on Zaire.

By Zairian standards, Marshal Mobutu's early years in office were a

period of relative calm, even if sporadic troubles continued here and there, notably in South Kivu Province, where a spurning rebellion led by one Laurent Kabila refused to die.

Marshal Mobutu ordered the creation of a sole, powerful political party, the Popular Revolutionary Movement, making membership obligatory for all Zairians.

With time, the president's style of rule became both insular and absolute. Challengers, both imagined and real, often paid with their lives, like the four former cabinet ministers whom Marshal Mobutu had publicly hanged before 50,000 spectators.

As an unmistakable Mobutu style began to emerge in the late 1960s and early 1970s, it became clear that the Zairian leader's ambition was to fashion a great African state.

Marshal Mobutu began to study other dictatorships, drawing freely from them. Mobutism became the new national ideology, and since a constitution written to please him provided the president unlimited powers, Marshal Mobutu's words took on the force of law.

By 1970, with the mineral-based economy growing fast, Marshal Mobutu felt secure enough in his rule to make known his grandiose vision for Zaire. At an extraordinary party congress that year, he announced a bid for national greatness called Goal 80.

Mirroring Mao's disastrous Great Leap Forward, the plan consisted of a 10-year program to double copper production, industrialize the country with steel mills

and deep-water ports, and undertake a program of huge investments in Kinshasa, Kisangani and around the southern mining capital, Lubumbashi.

The largest project of all was the Inga dam, at the time one of the world's largest hydroelectric dams, followed by the 1,800-kilometer-long Inga-Shaba power grid, a direct current line spanning dense forest and empty savanna on its route to the copper-rich, independence-minded Shaba Province, which Marshal Mobutu's project aimed to make dependent upon electricity supplied from far away.

When the World Bank refused to finance the project, the U.S. Export-Import Bank stepped in, in a gesture of political support for a man considered to be a vital Cold War ally.

In 1973, Marshal Mobutu announced a policy of expropriating farms and businesses owned by non-Zairians. As might have been expected, the nationalizations and handing out of businesses to politically selected Zairians were initially deeply popular. It was not long, however, before things began to go badly wrong. With almost no prior experience in the businesses they inherited, many Zairians quickly sought to lure foreigners back to run them in their place. Others simply sold off their goods and failed to re-stock.

Soon Zaire's economy was near collapse. One group of people, however, benefited far more than others, and in lasting ways from the Africanization program: Mr. Mobutu and a small circle of relatives and friends.

It was not until the collapse of copper prices, in the mid-1970s, that Marshal Mobutu reluctantly began to change economic course.

But by then, no one would lend to Zaire any longer, foreign aid programs



Better days: Lieutenant General Joseph Mobutu of the Republic of the Congo (as he was then) visiting President Richard Nixon at the White House in 1970, at a time the cult of Mobutism was just beginning.

were cut back sharply, inflation was galloping and the grand state that had set out to build began to decay.

Marshal Mobutu survived a series of crises, the most serious of which were invasions of Shaba Province in March 1977 and May 1978 by remnants of the Katangese rebel force that had sought independence for that region shortly after independence.

The two Shaba invasions, both mounted from Angolan territory, quickly revealed the battlefield ineptitude of the Zairian Army, and in both instances, foreign troops had to be summoned to put down the rebellions.

In addition to the mineral wealth of Shaba, with 80 percent of the world's cobalt reserves and 20 percent of its copper supplies, Marshal Mobutu won backing from Washington, which had been using Zaire as a weapons supply and

staging area for support of the anti-Communist UNITA rebel movement fighting the Marxist government in Angola.

With the end of the cold war, Marshal Mobutu's relevance to Washington and most of the West declined sharply.

Marshal Mobutu experienced a brief return to international relevance with the 1994 civil war and mass killing in Rwanda. More than a million Hutu, many of them participants in the killing of members of the Tutsi minority, fled into Zaire after Tutsi insurgents seized power.

The end for Marshal Mobutu came with surprising speed, after Rwanda's Tutsi-led government supported an uprising by Zairian Tutsi who had come under attack in eastern Zaire.

In three weeks in October 1996, what had been a Tutsi uprising turned into a full-blown political rebellion against Marshal Mobutu led by Mr. Kabila.

ZAIRE: Mobutu, Beaten, Flees Kinshasa

Continued from Page 1

weakened him in recent weeks, just as the war has reached its peak, many foreign diplomats say that they expect Marshal Mobutu's health will soon fail him.

Mr. Lumumba added that the government would continue discussions with the rebels over new political arrangements for the country, and said that the constitution empowered the newly elected head of the National Assembly to lead future negotiations.

The true import of the day's events, however, came in statements from the country's high command, which made clear that the defeated national army had no intention of fighting the rebellion any longer.

"It is not military means that we lack," said a Defense Ministry official. "But General Mabele does not want to sacrifice a whole people because of a battle for the power of a single man. That's over."

General Mabele Lioko is the chief of

staff, deputy prime minister and defense minister of Marshal Mobutu's army, and was one of three top generals, including the prime minister, Likulia Bolongo, who visited with Marshal Mobutu late Thursday to inform him that they could no longer defend the city or protect him. Western diplomats said the generals, including the commander of Marshal Mobutu's Presidential Guard, then urged the president to leave the country.

Western diplomats said that Zaire's top generals had already begun to make contact with the rebellion, and were preparing "to open the city" to Mr. Kabila's forces.

News of Marshal Mobutu's departure spread slowly about Kinshasa on Friday morning, and life in the capital was virtually normal through most of the day.

Diplomats and Zairian officials expressed optimism that the day's events had gone a considerable ways toward lessening the risk of an explosion of violence in the city.

"All of the measures we have been taking are intended to make the population feel secure, and not at all to fight a war," a Defense Ministry official said. "We are doing the best we can to give a chance to the negotiations."

The form that future negotiations with the rebellion will take remained uncertain, however. Mr. Kabila has repeatedly said that he would not accord any role to Archbishop Laurent Monsengwo, the head of Parliament, and would refuse to work with any politicians who had been allies of Marshal Mobutu.

Before the South African-led talks between Marshal Mobutu and Mr. Kabila broke down, diplomats had hoped to



An Egyptian Embassy limousine from Kinshasa aboard a ferry taking Zairians to Brazzaville, Congo.

get both sides to accept a South African proposal for the formation of a new government, led by Mr. Kabila, but allowing for broad representation of other political parties.

For his part, Mr. Kabila has said that he will form a "responsible govern-

ment," that will rule a minimum of two years before holding what he recently called "popular elections."

Clinton Calls for Democracy

President Bill Clinton said Friday that he looked forward to a transition to

democracy in Zaire, The Associated Press reported from Washington.

"It does appear he has left Kinshasa," Mr. Clinton said of Marshal Mobutu.

"The U.S. position is clear: We want to see a transition to a genuine democracy."

Swiss Order Freeze on Villa

Reuters

GENEVA — Switzerland ordered a freeze Friday on a multi-million-dollar villa of Mobutu Sese Seko. It stopped short, however, of ordering a freeze on other Mobutu assets estimated to total \$4 billion.

The government said a request to do so by a Zairian prosecutor did not contain enough detail on other alleged Mobutu assets and "for the moment, does not allow the possible adoption of other measures."

CALIFORNIA: Polluted Valley Thirsts to Refill the Lake That Los Angeles Diverted

Continued from Page 1

agers with feudal overlords, quite capable of retribution against detractors who are their tenants.

Regardless, as required by the Environmental Protection Agency and the Clean Air Act, the air-pollution-control managers of the Owens Valley and Inyo County are pushing ahead with a plan to force the water department to pay for a huge mitigation project.

During the days when great dust storms blow off Owens Dry Lake, the surrounding towns are subjected to the highest pollution counts for "particulate matter" in the United States. The fugitive dust, as fine as talcum powder, can lodge deep in the lungs, where it is

capable of causing numerous respiratory illnesses. "The hacking, coughing, sneezing," Mr. Patterson said, "You can feel it getting into your lungs."

When the storms begin, Mr. Patterson said, people stay indoors and sometimes wear dust masks or bandannas over their mouths when they must venture outside. To settle the dust, the Owens Valley is demanding that the water department spread thousands of tons of gravel on the dry lake bed, enough to fill 175,000 trucks and cover 5,000 acres (2,000 hectares).

The water department also would be required to plant 9,000 acres of salt grass. Finally, it would be forced to give up millions of gallons of precious water — about 10 percent of Los Angeles's supply

— to refill a portion of the lake. The estimated construction costs for the project are approaching \$100 million, plus \$28 million a year — forever — to purchase new water. The deadline is 2001.

"They broke it," said Richard Knox, a retired water department manager now living in the Owens Valley, "so they ought to fix it. That's the American way."

But the department is not going to give up a drop of the precious liquid without a fight. Los Angeles water managers have said they do not think the dust storms are that harmful to health. In any case, the water department says it does not believe the mitigation efforts will work.

Jerry Gewe, engineer of water re-

sources for the department, said the department would ask for an independent scientific panel to be set up and request more testing, which would take about five years. If the department was not happy with the results and plans after that time, it would go to court.

Theodore Schade, the projects manager for the Great Basin Unified Air Pollution Control District, the agency in the Owens Valley pushing for the mitigation efforts, said Los Angeles was "in denial."

Mr. Schade added: "It's not optional to obey the Clean Air Act. It's not political. It's the law."

Mr. Schade admitted that the solution his agency was proposing was not perfect. Ideally, he said, the agency would like to refill the lake. But he said it was impossible to wring that much water from Los Angeles.

Beyond the money, Mr. Gewe said he was unhappy about giving up so much water.

The water department provides water for 3.6 million people, who use about 200 billion gallons (750 billion liters) a year. The city takes more than half of that water from the Owens Valley. If it must replace water used to refill Owens Lake from the open market, it will have to buy it from the Colorado River or Northern California, which would raise water rates for Los Angeles users about 10 percent, Mr. Gewe said.

Mr. Gewe added, "Without imported water, eight of every 10 people living in Los Angeles would have to leave."

BBC Says Inquiry On Chunnel Blaze Has Found Arson

The Associated Press

LONDON — A BBC report says French investigators have concluded that a fire that closed the Channel Tunnel last year was started deliberately.

British Broadcasting Corp.'s Newsroom Southeast program quoted sources that it said it could not identify.

The fire broke out Nov. 18 in a shuttle train carrying freight trucks from France to England. A report by safety experts in Britain this week criticized the emergency procedures of Eurotunnel, but made no finding on the cause of the fire.

In France, the state prosecutor in Boulogne-sur-Mer, where the investigation is based, said the report had not been leaked by judicial sources. "I don't know where this information is coming from, but it's not from judicial sources," the prosecutor, Gerard Lesigne, told the daily Voix du Nord.

A Eurotunnel spokeswoman, Anne Leyva, said she had not seen the results of the French investigation and could not confirm or deny the BBC report. The preliminary findings of the investigation are due to be released next week.

Envoy's Effort Fails in Mideast

New York Times Service

JERUSALEM — An American envoy's attempt to revive deadlocked talks between Israel and the Palestinians ended with no signs of progress Friday, and both sides declared that they were no closer to resuming negotiations.

Dennis Ross, the Clinton administration's special emissary to the Middle East, was scheduled to head home Friday night, winding up a nine-day visit that officials said had done little more than enable Israelis and Palestinians to air their widely divergent views.

"Ross's mission has failed completely," said Marwan Kanafani, a spokesman for Yasser Arafat, the Palestinian leader.

Mr. Arafat was to hold a final meeting Friday night with Mr. Ross before his departure.

An Israeli cabinet statement said: "The Prime Minister delivered a report to the ministers that there is no real progress in the contacts between us and the Palestinian Authority."

Prime Minister Benjamin Netanyahu also held a last meeting with Mr. Ross on Friday.

ASIA: Overbuilding Puts Growth at Risk

Continued from Page 1

Vincent Low, an economist in the Singapore office of J.P. Morgan, said that with Thai banks and finance companies being squeezed by the diminishing value of property held as collateral for loans, regulators in other Southeast Asian countries "have legitimate concerns about their banks' exposure to real-estate lending."

Worries about Asian overbuilding are not confined to Southeast Asia. Among other Asian cities, Shanghai, Beijing and Bombay also are considered to have far too much office and luxury-apartment space either on the market, under construction or planned.

Such an oversupply in so many cities will almost certainly cause rents to fall sharply, providing a welcome cut in costs for many foreign businessmen.

Signs that building construction will outstrip demand in Southeast Asia if planned projects go ahead include these:

- Office space in Kuala Lumpur is set to rise from less than 500,000 square meters (5.4 million square feet) in mid-1996 to about 2 million square meters by mid-1997, and retail shopping space is to more than double by 1998.
- Office space in Manila will more than double by 1998, to more than 730,000 square meters.
- Vacancy rates in Jakarta, where office space will nearly double by 1999 to

150,000 square meters, are running at more than 12 percent and rising.

Only half of the projected 12,000 private residential units that are expected to come onto the market in Singapore in 1997 are likely to be sold, leaving a backlog of more than 16,000 unsold units by the end of the year.

Analysts said that until demand caught up with supply, prices and rents for office, retail and up-market condominium units were likely to continue to fall in Southeast Asian capitals and some construction projects would be canceled or deferred.

Afterward, Sinn Fein was banned from multi-party talks in Belfast chaired by a former U.S. senator, George Mitchell. Those negotiations began last June but have never gotten past procedural discussions. The governments of Britain and Ireland have remained firm in refusing to allow Sinn Fein to take part

periodic rioting. An 18-month "cease-fire," the brightest days in modern Northern Ireland history, ended when the IRA blew up an office complex in London in February 1996.

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in the IRA restored its cease-fire. Restoration was Mr. Blair's aim Friday.

Mr. Blair, with a large Labour majority in Parliament, has considerably greater political flexibility on Northern Ireland issues than did Mr. Major, whose minority government was dependent on unionist members of Parliament to win important votes. On the other hand, British public opinion generally remains hostile to Sinn Fein and to the IRA, a hostility intensified because of continued IRA bombings and disruptions on the British mainland during the general election campaign.

"We know the situation here is fragile

and fraught," Mr. Blair said. "There may be only one chance given to a new government to offer a way forward. Our very newness gives possibilities. But governments are not new forever."

"There are times when to calculate the risks too greatly is to do nothing; there are times, too, when a political leader must follow his instinct about what is right and fair."

"Our destination is clear: to see in place a fair political settlement in Northern Ireland — one that lasts, because it is based on the will and consent of the people here."

BLAIR: London Drops Ban on Meeting With Sinn Fein Leaders

Continued from Page 1

people here."

CHIRAC: Conciliation in China

Continued from Page 1

record at the United Nations Human Rights Commission in Geneva.

France's decision in April was joined by Germany, Italy and Japan, leaving Denmark among the smaller European nations to co-sponsor with the United States a resolution criticizing China for its persecution of religious and political dissidents. The resolution was defeated, as it has been each year it has been brought before the body.

Mr. Chirac's comments were significant in that they reflect the fatigue in the resolve that was galvanized eight years ago in the aftermath of the Tiananmen massacre to use sanctions and other pressure to win the release of thousands of political prisoners here.

Many political prisoners have been released since 1989, but many more are incarcerated each year, including bishops, priests and other religious leaders.

The president's remarks also reflect domestic political pressures in France, where a sluggish economy and persistent unemployment have forced political leaders to pursue a more aggressive marketing strategy in international trade, while muting concerns about human rights.

But the French reversal, and Beijing's economic inducements, also demonstrate the success of a larger diplomatic effort by China to divide and conquer its international critics.

By pursuing a closer "strategic partnership" with Russia, and by opening its markets to German, French and Japanese technology firms, China has gradually undermined the coordinated international effort, led by the United States, to pressure Beijing to end some of the harsh measures that have characterized hard-line rule since 1989.

Internal Communist Party documents circulating among Western intelligence agencies indicate that Beijing's strategy has less to do with forging genuine "strategic" alliances against Washington, and more to do with creating maneuvering room for a weak government in Beijing that is seeking to consolidate its power after the death of Deng Xiaoping.

Mr. Chirac, speaking at a news conference, saluted "the spirit of French conquest" and "combattiveness" in the international marketplace. He asserted that Paris's more conciliatory approach already was paying dividends with the pledge by President Jiang Zemin that China would sign one of two UN covenants on human rights before the end of the year.

It appears that Mr. Chirac, in his meeting with the Chinese president, did not mention the cases of prominent dissidents, such as Mr. Wei and Mr. Wang. But he said that their cases were raised during a meeting of foreign ministers.

He said he was convinced that international pressure on China was "not advancing the cause of human rights" and should be replaced by a policy of "exchanges and consultation."

His hosts seemed ecstatic at the tone of these comments, and in a joint statement they declared a "global partnership" and welcomed a new world order of "multipolarity that is replacing the bipolar structure inherited from the past."

This language was similar to that issued by Chinese and Russian leaders last month, when Mr. Jiang went to Moscow.

Mr. Chirac refused to say whether France was preparing to break one of the last remaining international sanctions on China — the ban on weapons sales to Beijing. "This is not a topical question," he stated, adding that France would, however, abide by its commitment not to sell weapons to Taiwan.

The sale of 60 advanced Mirage fighter-bombers to Taiwan in 1992 triggered a major rupture between Beijing and Paris and put Paris at a disadvantage in the competition for lucrative contracts on the mainland.

With this four-day state visit, on which he is being accompanied by some of France's leading industrialists, Mr. Chirac seems determined to make up for those losses.

"France doesn't fully have the place it deserves here," he said on his arrival.

ART

INTERNATIONAL HERALD TRIBUNE
SATURDAY-SUNDAY, MAY 17-18, 1997
PAGE 8

Money Chasing Status: A Historic Week

NEW YORK — A historic week came to an end Thursday as Christie's "minor" sale of Impressionist and Modern Art added another \$21.87 million to the \$119.86 million spent Wednesday night, bringing Christie's total sales in just four days to \$234.52 million. Add \$100.5 million chalked up by Sotheby's, and the conclusion that money was flowing into the art market from every side seems obvious.

But there was a lot more to the historic week than money. The whole market has been transformed from the way it operates to the aesthetic criteria that increasingly guide our society and, therefore, determine prices.

A new aesthetic relativism was made startlingly obvious in Christie's auction of 29 works collected by the late John and Frances Lehman Loeb. Greeted with the

SOUREN MELIKIAN

usual piece of hagiography when auction houses are eager to enhance an assemblage with a private provenance, the Loeb collection was a mixed bag. Never before in auction house annals had kitsch genre scenes by café society painters, such as Giovanni Boldini and James Jacques Tissot, hung side by side with Manet, Cézanne and Seurat at their boldest.

Not too long ago, the contrast would have killed Boldini and Co. This week it most certainly did not. Boldini's 1873 watercolor, "La Lettre," showing a woman decked out in the height of fashion and striking an affected posture as she reads a letter tripled its highest estimate and, at \$255,500, set a new record for a work on paper by Boldini. Seconds later, Tissot's quasi-photographic portrait of another woman that seemed to step out of a fashion magazine with little else to recommend it whizzed to \$187 million.

Then, without transition, the auction sailed into the ultra avant-garde art of that time with one of Georges Seurat's small sketches done in oil around 1884-1885 for "Un dimanche à la Grande Jatte." Painted in quickly juxtaposed color dots that transcribe the shimmer of light on grass and water, it borders on abstraction.

The sketch shot up to \$1.54 million. There is no common artistic ground between the Tissot and the Seurat, but they do have one common denominator: Both project



Cézanne portrait of his wife, which sold for \$19.7 million; Manet self-portrait, \$18.7 million.



strongly defined images of their own aesthetics and that, in the age of sound bites, is the new passport to commercial triumph, as was shown throughout the Loeb sale.

This applied even to the greatest works. Manet's self-portrait is the artist's starkly archetypal likeness. There is no concession to costume picturesque or background ornament. Everything is in the haunting intensity of the clear scrutinizing eyes. At \$18.7 million, it became Manet's most expensive portrait ever.

Toulouse-Lautrec's portrait of a seated ballet dancer with her face robbed of its freshness by heavy makeup may have lacked the bite of his more acidic essays in human observation. But the typical nervous strokes and the strident colors gave it the required badge of identification. It went for a phenomenal \$14.5 million.

Perhaps the most interesting test was Cézanne's dour portrait of his wife posing in an armchair, hands crossed in frozen boredom.

It is not quite Cézanne at his greatest but few such portraits are left. Ernst Beyeler, one of the greatest

dealers in 20th-century art, wanted to hang one in his museum, the Beyeler "fondation," which is scheduled to open in Basel on Oct. 16. The price: \$19.7 million.

That the instantly identifiable image mattered more than artistic achievement was repeatedly demonstrated. Renoir's standing nude woman, which qualifies as a sleek essay in ornamental eroticism, cost a breathtaking \$4.2 million — more than Gauguin's vastly superior still life (\$3.4 million) — to say nothing of the one giveaway in that sale, a beautiful vase with flowers by Odilon Redon that could be had for \$288,500. Not that many of the new players putting down their chips on the green baize of the art market could identify an Odilon Redon still life, let alone one in oils rather than in pastel.

On Tuesday night, Sotheby's conducted a very different sale. The expert, Alex Apsis, had made a visible effort to concentrate on major masters and it paid off with a handsome \$81.3 million. Inevitably, mediocre works had crept in here and there.

Interestingly, however, me-

diocrity was fatal only when compounded by an uncertain image. Sisley's view of the Sevre Bridge, painted in a nudescript style, could have been the work of any Impressionist. It remained unsold. Not one bid was elicited by Gauguin's 1888 landscape with ducks in a pond although works from the artist's Pont Aven period are now rare. The unfocused view was too confused. Similar mishaps befell Cézanne's sketch of three women in the nude and a brownish Degas pastel of a woman combing her hair.

By contrast, all the big scores could be read from 10 yards away. A striking close-up view of three ballet dancers by Degas — remarkable for its sculptural quality, the strong shading of its figures lighted by the pink and mustard yellow of the costumes — set a record for a pastel by the artist at \$11 million. A highly structured composition of gladiators by Renoir with strong colors and a fiery movement more than doubled the highest expectations at \$3.6 million. Modigliani's portrait of Jeanne

Hebuterne in markedly contrasting colors made \$9.5 million, and Gustav Klimt's "Litzbergerkeller on Lake Atter," a symphony in greens with the inn encompassed in the midst as a magic focus, brought it all to a climax with a record \$14.7 million.

Yet this was no blind outpouring of money. The criteria, however curious, prevailed. Mediocre paintings if highly legible made it. Braque's ectoplasmic rendition of a "Reclining Nude" sold for \$1.87 million, and Picasso's "Woman in an Armchair," in a comparable schoolboyish cartoon vein, went for the same price. On the other hand, true masterpieces, rare, long out of the market, but alas painted in delicate ounces, went unsold. The most extraordinary failure affected one of the most beautiful pastels seen at auction in years: a Degas showing three dancers. This was a centerpiece in the 1984 Degas show at the Art Institute of Chicago.

Although it was sold by the institute in May 1990 for \$4.9 million, it found no taker this time at \$4.7 million. Its subtle light, a coterie, probably meant little to viewers attuned to the glaring colors of the contemporary world. Monet's wonderful "Pont Japonais," reworked in 1924 by the artist to get the desired shades of dark and light green enhanced by a few red dots, was also left stranded. Despite the \$81.3 million spent that night, professionals understandably felt edgy as the spotlight switched back to Christie's on Wednesday night.

They need not have worried. The clearly-defined image factor worked better than ever, the sale chalking up \$131 million in two hours.

Renoir's nude woman standing in shallow water could have run into trouble. A printed sign indicated that Christie's had an interest in the sale. No one seemed to mind the rumor that it had recently returned from Japan, changing hands at \$6 million. At \$12.4 million, it exceeded the wildest hopes.

Later, Brancusi's "Mademoiselle Pogány II," a polished bronze head teetering on abstraction, of which four other casts are preserved in various institutions, became the third most expensive Brancusi at \$7 million. The sale was not short on mediocrities either.

Yet, few seemed to be perceived as such. Rarely did the pressure of overabundant money in search of a cultural status badge make itself felt so unambiguously in a world barely concerned by the art as such.



Two panels from Kaiser's 50-meter portrait of Japan.

The Landscapes Of Raffi Kaiser

By Michael Gibson
International Herald Tribune

PARIS — In February 1987, Raffi Kaiser landed in China carrying a rucksack and a hefty supply of drawing paper. For six months he traveled through mountainous parts of the country, including two months working his way down the Li River, drawing constantly. On his return to the West, he produced one more drawing. It was an extraordinary one, 50 meters (165 feet) long, which captured the essence of what he had seen in China, and was exhibited in the Musée Guimet in Paris in 1990.

In 1991, Kaiser did much the same thing in Japan, where he spent a year, making his way down the mountainous spine of the land, seeing few people, but communing with some breathtaking landscapes. This time too, he drew

both on the spot and on his return home. The result, in addition to the drawings made during the journey, was another 50-meter landscape drawing, which is currently on view at Les Filles du Calvaire gallery (17 Rue des Filles du Calvaire), through May 30.

Kaiser, born in Jerusalem in 1931, studied art in Tel Aviv, Paris and Florence. After numerous exhibitions both in Israel and abroad, he determined to escape from the consumer society, forewore the use of color and withdrew into the Negev desert in 1978, spending three years drawing his landscapes.

Wrapped around the wall of the upper floor of the gallery, the great landscape drawing resulting from his Japanese journey is an impressive accomplishment. It does not so much suggest a panorama as it does a long journey through a constantly changing landscape whose shifting perspectives unfold as one moves on.

When Kaiser presents it in his studio, he displays the sheets on which it is drawn (1.5 meters high by 1 meter wide), three at a time, gradually rotating them so that the viewer can sense the continuity.

The pen runs across the page like a seismograph, its motion alternately evoking large, ominous crags and thin, immaterial crests which run, uphill and down, across an otherwise white page like notes on some monumental orchestral score.

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Messy Splits For U.S. Company

By Keith Bradsher
Los Angeles Times Staff Writer

PACHICO, Argentina — Split by concrete posts and topped by five lines of barbed wire, the chain-link fence through the heart of the town is a 100-meter-long, 100-meter-wide perimeter.

On one side of the fence are the operations of Ford Motor Co., on the other side those of Volkswagen AG. The two companies are the only ones in the town, a study of the difficulties in breaking up a big-company joint venture.

Ford's mistake, its officials say, was to build a factory in a town where a marriage made in the U.S. would not last.

The two companies would merge, but the merger would mean the end of the town, a study of the difficulties in breaking up a big-company joint venture.

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Messy Latin Divorce Splits Ford and VW

U.S. Company Bet on the Wrong Cars

By Keith Bradsher
New York Times Service

PACHECO, Argentina — Supported by concrete posts and topped with five lines of barbed wire, the chain-link fence zigzags through the heart of what used to be a blossoming automaking partnership here.

On one side of the fence are the operations of Ford Motor Co., on the other side those of Volkswagen AG, now divided by a nasty corporate divorce—a case study of the difficulties in breaking up a big-company joint venture.

Ford's basic mistake, its officials now acknowledge, lay in assuming that a marriage made in the late 1980s would last indefinitely.

The union looked good on paper: The two companies would manufacture cars together for Brazil and Argentina, sharing all the profits and producing no competing models.

The trouble was that Ford let VW make the subcompacts, a model that has since come to account for half the region's auto sales, with Ford still struggling to catch up. Ford also was caught off guard by rapid economic changes that turned the once-stagnant countries into attractive markets.

As a result, Ford has endured heavy losses in a region that has become the most profitable in the world for rivals such as General Motors Corp. and Fiat SpA.

"We've essentially started over," said Alex Trotman, Ford's chairman and chief executive. "We're building a new company from the ground up in Argentina and Brazil."

Ford and Volkswagen combined their subsidiaries in Brazil and Argentina in 1987, when hyperinflation, weak growth and a ban on car imports had badly hurt sales in both countries. Their joint venture, known as Autolatina, became highly profitable even in this hostile environment by closing surplus Ford and Volkswagen assembly plants and offering aging models that were cheap to build.

The plant here, on the northern outskirts of Buenos Aires, was originally a Ford factory, with Volkswagen moving in; it is now divided roughly in half by a fence even more sturdy than the one that runs around the outside of the complex.

With Brazil and Argentina banning car imports for most of the 1980s, Autolatina sold some of the world's staidest models, midsize Ford Falcons, nearly identical to the 1960 U.S. model, were made here from 1961 until 1991. So many of these automotive

fossils are still on the road that a visitor almost expects to see Elvis Presley step out of one at any moment.

But after the debt crisis of the 1980s faded away, the Brazilian and Argentine economies sprang back to life in the early 1990s.

Autolatina, and Ford in particular, was caught unprepared. Inflation dropped, economic growth increased, and car sales soared.

The import ban was replaced with steep tariffs, prompting nearly a dozen automakers to start exporting their latest models here and begin planning new factories.

Suddenly faced with true competition, and reluctant to share the technology needed to build their own latest models, Ford and VW decided in early 1995 to break Autolatina apart.

That decision was a boon in Volkswagen, which has since produced steady earnings while holding onto a third of the regional auto market. But Ford's operations emerged from the venture in disarray, with much lower market shares, mainly because of its lack of small cars. Because of the Autolatina breakup, Ford lost a staggering \$645 million in its South American division last year.

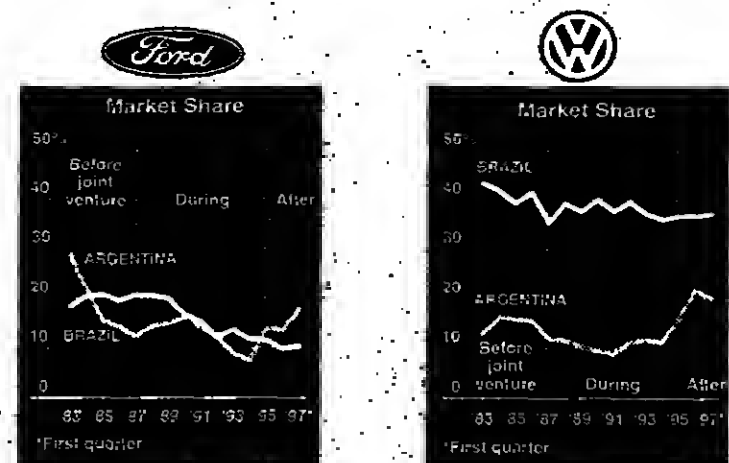
The moral, as Ford officials see it now, is that companies combining operations should look hard at what might happen if the venture later comes undone. "Emotionally, you know, the last thing you want to do is contemplate coming apart," said Jacques Nasser, president of Ford's worldwide automotive operations.

Still, he said, "At some stage up front, you kind of need to brainstorm the conditions under which the partnership stops providing the added value and synergies."

Roger Stark, a specialist in auto-industry joint ventures at Coudert Brothers, an international law firm, boils down Autolatina's lesson for other multinationals more succinctly: "Be careful who you marry, and have a good prenuptial agreement."

The biggest problem for Ford has been that almost all the growth in both auto markets has come in subcompacts, particularly the smallest subcompacts, called "popular cars." But Ford specialized in midsize cars before Autolatina, while Volkswagen built mainly smaller cars.

During the joint venture, the two companies made all Autolatina's cars together and shared all the profits. The larger cars mostly bore Ford nameplates and went to family-owned Ford dealers, though, while the smaller cars ended in have Volkswagen nameplates



Ford's Loss to Volkswagen

By allowing VW to make subcompacts for the companies' Autolatina joint venture while it made larger cars, Ford (labeled away market share in South America's biggest countries).

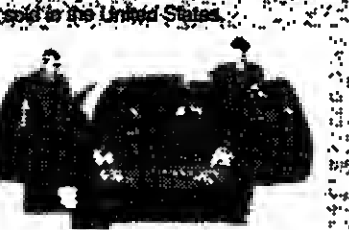
THEN Ford took the 1990 Falcon design, below, from the U.S. and built it in Argentina with very few changes for three decades. Ford continued to build the Falcon after becoming partners with VW, but consumers wanted smaller, more modern cars. Falcon production ended in 1991.

PRODUCED 1981-91: 494,203

1991 SALES: 2,335



THEN, The big, below is Ford's 1981 Falcon, a car that was sold in Argentina for 23 years. It was replaced by a smaller, more modern car, the 1991 Falcon, which was sold in Argentina for 16 years.



THE VW Gol, below, is a car that was sold in Argentina for 16 years. It was replaced by a smaller, more modern car, the 1991 Gol, which was sold in Argentina for 16 years.

1991 SALES: 256,724 (in Brazil)

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Ford's Loss to Volkswagen

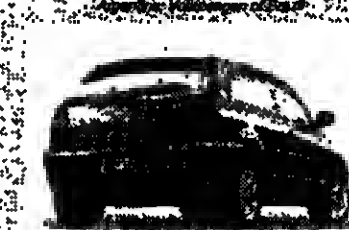
The breakup of the automakers' partnership has been a boon to Volkswagen, which has produced steady earnings while holding onto a big share of the auto market in Brazil and Argentina.

THEN The Gol (which means "goat" in Portuguese and Spanish) was a hit in Brazil after it was redesigned at the beginning of Volkswagen's joint venture with Ford in 1987. Sales began climbing sharply when Brazil reduced sales taxes on any "popular" cars with 1-liter engines. But the 1992 Gol, below,

1992 SALES: 135,084 (in Brazil)



THEN, The big, below is Ford's 1981 Falcon, a car that was sold in Argentina for 23 years. It was replaced by a smaller, more modern car, the 1991 Falcon, which was sold in Argentina for 16 years.



THE VW Gol, below, is a car that was sold in Argentina for 16 years. It was replaced by a smaller, more modern car, the 1991 Gol, which was sold in Argentina for 16 years.

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Asian Banks Ease Currency Turmoil

Stock Markets Suffer a Loss Of Confidence

Speculators Are Deprived Of Key Funds

Bloomberg News

SINGAPORE — Although Southeast Asian central banks managed to fend off speculators attacking their currencies this week, the damage to stock markets could last for months.

"In the next three months, we're not too excited about the markets," said Ian Lui of Dresdner (SEA) Thornton Asset Management. "Confidence is lost by foreign investors."

After raising interest rates twice Thursday, the Philippine central bank showed a key interest rate up to 20 percent Friday from 13 percent. Thailand drove short-term interest rates as high as 25 percent Thursday and cut off the supply of baht abroad to keep the currency out of the hands of speculators. Malaysia also raised a key interest rate to its highest in 11 months.

High interest rates help a country's currency as investors buy it so they can park their money in that country's

Compiled by Our Staff From Dispatches

SINGAPORE — Central banks appeared to have gained the upper hand in Southeast Asia's currency war Friday as speculators who had aggressively sold the region's currencies found themselves deprived of short-term funds.

Sim Moh Siong, a regional economist at Citibank in Singapore, said the supply of funds had essentially dried up in regional currency markets because of fears that others would follow the Thai central bank's restrictions on lending to foreign borrowers.

"What was done was to isolate the offshore money market from the onshore market, such that those who had sold the currency before would now suffer losses because of lack of funding," Mr. Sim said.

Dealers said there were rumors that Bank Negara, Malaysia's central bank, had followed Thailand's lead in restricting funds, but that the bank later denied it had done so.

The currency markets were thrown into turmoil this week when Singapore and Thailand joined forces to buy the baht, rescuing it from an 11-year low against the dollar.

On Friday, Singapore hailed the effort as a success.

"The important thing is that the joint intervention was effective," said Koh Beng Seng, deputy managing director of the Monetary Authority of Singapore, the city-state's de facto central bank.

But the attack on the Thai baht, fueled by concern about the slowing Thai economy and rumors of political turmoil, has driven down other Southeast Asian currencies, and some analysts doubted the intervention by central banks would have lasting effect.

The Thai central bank said Friday it also would take measures to help support the battered stock market.

The central bank's assistant governor, Siri Ganjareedee, said the measures would include an issue of 5 billion baht (\$194 million) in bonds by the Securities Finance Corp.

The agency will use the funds from the bond sale to buy margin loans from securities companies.

"The funds from the bond issue might not be sufficient," he said. "There will be other measures which will be announced on Monday."

Mr. Siri also acts as adviser to Securities Finance Corp., which was established last year as a lending center for Thai securities companies.

Thailand's bourse has plunged to eight-year lows this week, hit by a combination of worries about slowing growth, a fragile currency, high interest rates, cash-strapped financial and property sectors, and concerns that government efforts to improve the situation may not be enough. (Reuters, AFP)

Alitalia Posted Big Loss in '96 But Sees 1997 as a Good Year

Bloomberg News

ROME — Alitalia SpA, Italy's national airline, said Friday that it suffered its largest-ever loss in 1996, 1.2 trillion lire, because of one-time charges, but that it expects to return to profit in 1997.

The airline, whose future depends on the European Union's approval of a government bailout, said it had one-time charges of 901 billion lire (\$340 million) in 1996 from reducing its staff and reorganizing its fleet.

Operating profit rose to 69 billion lire, from 61 billion, and consolidated revenue rose to 8.059 trillion lire, from 7.837 trillion. In 1995, the airline lost a

consolidated 86 billion lire, though it had one-time gains of 443 billion lire that year, mostly from selling its stake in Rome's airport.

The airline said it expects to break even this year before one-time items, which should show a large gain because of the planned sale of some assets.

Net debt fell to 2.34 trillion lire from 3.42 trillion.

The European Commission and the government are arguing over a proposed 3 trillion lire bailout of the airline. The EU has asked for changes to Alitalia's cost cutting plan to ensure the airline remains profitable after the bailout.

ECONOMIC SCENE

Excess Property Lending Plagues Asia's Stars

By Philip Bowring
Special to the Herald Tribune

HONG KONG — Ob, the fickleness of markets. Thailand has been plunging new depths. In the Philippines, there have been jitters, and in Malaysia, concerns that they may someday face some of the same combination of credit excess, property glut and quasi-pegged exchange rates that are at the root of Thailand's problem.

Meanwhile, Hong Kong has been soaring to new heights, helped along by those blue-ribbon purveyors of received wisdom, the rating agencies.

Yet Hong Kong is, in fact, showing earlier signs of the same illness that is afflicting Thailand and from which Japan is just recovering. This should not come as a surprise to followers of Hong Kong property and banking cycles. In the mid-1980s, the two coincided. But the market seems to have forgotten that Hong Kong property prices have always been highly cyclical.

At the recent annual meeting of the Asian Development Bank in Fukuoka, Japan, the head of the Hong Kong Monetary Authority, Joseph Yam, lectured his fellow bankers on the dangers of excess property lending. Yet many would argue that the greatest excess lies in Hong Kong itself.

At present, 46 percent of all bank lending in Hong Kong is to property. Of its property-related lending, 55 percent goes for home mortgages and the rest in developers. The property exposure as a percentage of the total has been rising steadily for a decade, but its rise has gathered momentum recently.

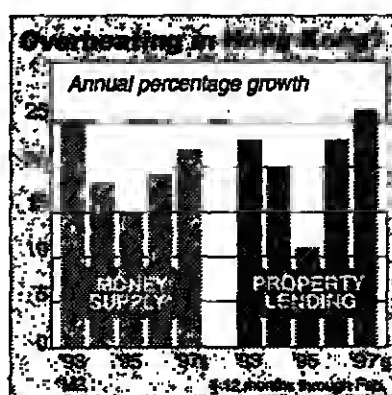
At the same time, total credit in Hong Kong is growing much faster than nominal gross domestic product as a result of rapid monetary growth. Money supply has been rising at an annual average of 19 percent over the past four years, against 11 percent for nominal GDP, and it, too, is accelerating. Over the past 12 months, money supply has grown by 23 percent, and credit, again led by the property sector, by 26 percent.

A big gap between credit and GDP growth may be reasonable in a developing economy, but not in a mature one such as Hong Kong's.

The reason for the money growth is the same one that created Thailand's credit excess — capital inflow. In the Thai case, this came mainly through the offshore banking system, which was encouraged by interest-rate differentials and the assumed stability of the baht-dollar link. In the Hong Kong case, it has been due mainly to the flow into equity markets. Thanks to Hong Kong's currency and interest-rate link to the U.S. dollar, the market has been following Wall Street's boom very closely.

Some hot money from China also has swelled the money supply.

The surge in money has been chasing the lowest level of new residential property supply since the early 1970s. Clearly, this is not a situation akin to Thailand, where problems have been caused by a supply glut. But as Japan and Britain discovered not so long ago, property price booms can collapse of



their own weight without being pushed by a supply surge.

As in Japan, Hong Kong's bubble has been created by a combination of excess credit and an artificially created land shortage.

But how can it be sustained? Hong Kong

See HONG KONG, Page 13

CURRENCY & INTEREST RATES

Cross Rates										May 16										Libid-Libor Rates										May 16									
	US\$	DM	FF	UK	US\$	DM	FF	UK	US\$	DM	FF	UK	US\$	DM	FF	UK	US\$	DM	FF	UK	US\$	DM	FF	UK	US\$	DM	FF	UK	US\$	DM	FF	UK							
Amsterdam	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Buenos Aires	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Frankfurt	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
London (n)	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Mexico	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
New York	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Paris	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Porto	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Tokyo	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
US\$	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
Yen	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
DM	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
FF	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
UK	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
US\$	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
DM	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
FF	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
UK	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
US\$	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
DM	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
FF	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
UK	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
US\$	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
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FF	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
UK	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
US\$	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
DM	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000			
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UK	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245	1.3125	111.11	1.0405	1.0405	7.8000	1.2300	3.4000	1.6045	1.3245										

Packard Sends is Tumbling

PairGain Technologies, a maker of high-speed data transmission equipment, was the most active stock after an analyst at Sun Microsystems Group warned that price would be a weak revenue growth. Informant told it would have to be.

U.S. STOCKS

Finance issues and raise cash to continue operations. Informant told it would make a bid for the software maker, Microsoft fell 1% to 159.25 after a warning it did not expect growth because of rising costs. But LHS Group rose to 194.00 after a warning it did not expect growth because of rising costs. The first day of trading after the bid, the company's stock rose 4.8 million shares at an initial offering price of \$12.10.

es Surprise Across EU

however, confirmed the feasibility of Mr. Wang's plan to build a new airport in the region. The plan was to build a new airport in the region. The plan was to build a new airport in the region. The plan was to build a new airport in the region.

Caspian to Black Sea: \$2 Billion Pipeline Set

MOSCOW — After five years of disputes, a coalition of oil companies and governments agreed Friday to build a \$2 billion pipeline to carry oil from the Caspian Sea to Russia's Black Sea coast.

Russia, Kazakhstan and Oman signed an agreement with eight oil companies to finance the pipeline, opening the way for construction to start early next year.

Chevron Corp. and Atlantic Richfield Co. of the United States and AO Lukoil Holding of Russia were among the companies that agreed to finance the 900-mile (1,500-kilometer) pipeline from Kazakhstan to the Russian port of Novorossiysk.

The long-awaited pipeline has been crucial to Chevron Corp.'s heavy investment in the region. Chevron, which is developing the giant Tengiz field, will be the primary customer when the pipeline starts exporting in 1999.

Nations Set Coffee Talks

LONDON — Coffee-producing nations on Friday prepared for talks in London next week amid fears that soaring prices may cause coffee drinkers to defect to tea or soft drinks.

The 14-nation Association of Coffee Producing Countries is likely to defer plans to extend export quotas that were designed to keep a floor under world prices when they sagged last year.

"We should demonstrate that we are not a cartel by taking into account the interest of consumers," said Paim Naing-gol of Indonesia, the No. 3 seller after Brazil and Colombia.

Coffee for May delivery closed in London on Friday at \$1.985 a ton, up \$112. The price has risen 65 percent this year.

Latest increases on retail coffee in France mean that top-quality beans there are up by between a third and 45 percent since 1997 began. Shop prices are also up elsewhere in Europe and in the United States.

Start-Ups Stagnate VIAG Profit

MUNICH — VIAG A/S said Friday that start-up costs in telecommunications dampened gains in other businesses, holding its pretax profit nearly flat in the first quarter.

Germany's third-largest utility earned 674 million Deutsche marks (\$399.5 million) before taxes in the quarter ended March 31, just up from 668 million DM a year ago, despite an increase in sales to 12.3 billion DM from 10.86 billion DM.

VIAG, British Telecommunications PLC and Telenor A/S of Norway have a joint venture called VIAG Interkom, which plans to compete with Deutsche Telekom AG when the German telecommunications market opens next year.

The group plans to invest 8.5 billion DM over the next 10 years in VIAG Interkom. VIAG alone will pay about 350 million DM this year in start-up costs, said its chief executive, Georg Obermeier.

Cunard Drags Down Kvaerner Earnings

OSLO — Europe's largest shipbuilder, Kvaerner ASA, reported a 58 percent decline in pretax profit Friday for the first three months of 1997 but predicted a strong recovery by year's end.

Pretax profit at the British-Norwegian construction and shipbuilding company fell to 224 million kroner (\$32 million) from 537 million kroner a year earlier. Sales rose to 15.2 billion kroner from 7.41 billion kroner. Kvaerner blamed the drop on losses by its Kvaerner Energy unit and the cruise company Cunard, which it acquired last year as part of its purchase of Trafalgar House PLC for \$904 million (\$1.48 billion).

Kvaerner's chief executive, Erik Toemseth, said the company expected "a better operating profit for 1997 as a whole than we saw in 1996."

The drop in profit was less than analysts and investors had expected, and the company's stock surged 25.50 kroner to close at 383.50, a record. Kvaerner's shipbuilding division showed a pretax profit of 256 million kroner, down from 283 million kroner a year earlier.

Its backlog of orders was 19 billion kroner at the end of the quarter, up from 15 billion kroner three months earlier.

Kvaerner, which saw its debt soar to 13.1 billion kroner from 5.4 billion when it bought Trafalgar House, has sold 10 billion kroner of assets in the past year, allowing it to reduce its debt to about 9.3 billion kroner. (AP, Bloomberg, AFP)

Soothing Words for U.K. Markets

Kuwait to Reinvest Much of \$2 Billion BP Proceeds in Britain

LONDON — The Kuwait Investment Office, saying it found investment conditions in Britain favorable, indicated Friday it would leave most of the \$2 billion proceeds from its sale of British Petroleum PLC shares in British stock and bond markets.

"We plan to be very diversified, mainly in the U.K., but we will also buy into other major markets, both fixed-income and equity," said Yusef Alawadi, president of the investment office.

The fund decided to emphasize Britain because the BP shares were already part of its U.K. weighting, and because "we like what we see in this market," he said.

On Thursday, the investment office sold 170 million shares of BP stock, 3 percent of Britain's largest oil company, for £1.22 billion (\$2 billion). The London-based investment office is part of the Kuwait Investment Authority, a Kuwait government agency that invests the country's oil revenue to provide for the time when Kuwait's oil reserves will be depleted. It is one of the world's largest and most conservative financial institutions.

The investment office said it had reduced its stake in BP because the stake had "come to represent a disproportionate part" of its holdings. It said it would remain a significant investor in BP and continued to hold about 63 percent of BP's share capital.

"We are not going to buy into any specific companies with core holdings," Mr. Alawadi said. "This will be very diversified; that is the whole rationale behind the sale of BP shares."

This month, the British Labour Party won a majority in Parliament, ending 18 years of Conservative Party rule. But Prime Minister Tony Blair has promised to maintain Conservative economic policies such as selling state assets, holding down income taxes and keeping down inflation.

The timing of the BP sale had nothing to do with the change of government, Mr. Alawadi said. "We are positive on the company's management and the economic management of this country," he said. "It was purely a market transaction."

Mr. Alawadi declined to disclose the total amount of the investment office's assets under management or details of other stock holdings. He did say, however, that the office planned to reinvest the money quickly, "factually and quietly."

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
3600	4800	2800
3400	4600	2600
3200	4400	2400
3000	4200	2200
2800	4000	2000

Source: Reuters

Very briefly:

- Germany's upper house of Parliament, the Bundesrat, adopted a bill on privatizing the 36 percent of Lufthansa AG still in state hands; the transport minister said the action cleared the way for full privatization this year.
- Russia will sell 49 percent of RAO Svyazinvest, a telecommunications holding company, this month, but the exact date has not yet been set. Svyazinvest has controlling stakes in 83 regional telecommunications companies.
- The European Union's seasonally adjusted unemployment rate was 10.9 percent in March, unchanged from February, and down from 11.0 percent a year earlier.
- The Brussels Labor Court of Appeals confirmed a ruling that the procedure followed by the French automaker Renault in its decision to close its plant at Vilvoorde, near Brussels, was irregular. The ruling, issued April 3, said Renault had violated several Belgian orders and collective-bargaining agreements.
- Tabacalera SA, the Spanish state-controlled tobacco company, reported a 7 percent increase in net profit for the first quarter on growing cigarette sales, to 4.06 billion pesetas (\$28.3 million) from 3.79 billion pesetas a year earlier.
- Russia will license Iran to build 60 passenger-aircraft engines in a \$145 million deal. The engines will be installed on Ukrainian An-140 passenger jets. Iran has signed an agreement with Ukraine to assemble the planes in Iran.
- Canal Plus SA of France signed a three-year exclusive broadcasting contract with the U.S. production company Miramax Film Corp., a unit of Walt Disney Co., according to a published report.
- Daimler-Benz AG is re-examining the feasibility of its \$1 billion venture to build its V-class minivan in China. The company said the project would not be profitable because a tax exemption on imported equipment was abolished in April and an expected rise in passenger-car demand had not materialized.

WORLD STOCK MARKETS

Friday, May 16	High	Low	Close	Prev.
Amsterdam	150.00	148.00	149.00	148.00
Bombay	100.00	98.00	99.00	98.00
Brussels	150.00	148.00	149.00	148.00
Copenhagen	150.00	148.00	149.00	148.00
Frankfurt	150.00	148.00	149.00	148.00
Hong Kong	150.00	148.00	149.00	148.00
Jakarta	150.00	148.00	149.00	148.00
Johannesburg	150.00	148.00	149.00	148.00
Kuala Lumpur	150.00	148.00	149.00	148.00
London	150.00	148.00	149.00	148.00
Madrid	150.00	148.00	149.00	148.00
Manila	150.00	148.00	149.00	148.00
Mexico	150.00	148.00	149.00	148.00
Milan	150.00	148.00	149.00	148.00
Oslo	150.00	148.00	149.00	148.00
Paris	150.00	148.00	149.00	148.00
Rio de Janeiro	150.00	148.00	149.00	148.00
Sao Paulo	150.00	148.00	149.00	148.00
Singapore	150.00	148.00	149.00	148.00
Sydney	150.00	148.00	149.00	148.00
Taipei	150.00	148.00	149.00	148.00
Tokyo	150.00	148.00	149.00	148.00
Vienna	150.00	148.00	149.00	148.00
Wellington	150.00	148.00	149.00	148.00
Zurich	150.00	148.00	149.00	148.00

The Trib Index

Jan. 1, 1982 = 100	Level	Change	% change	year to date % change
World Index	165.05	+0.06	+0.04	+10.57
Regional Indices				
Asia/Pacific	124.19	+1.02	+0.83	+0.62
Europe	174.95	+0.53	+0.30	+0.53
N. America	188.45	-1.44	-0.76	+16.39
S. America	148.13	+0.03	+0.02	+30.32
Industrial Indices				
Consumer goods	200.25	-1.36	-0.67	+17.16
Consumer services	187.98	-0.12	-0.06	+16.45
Energy	192.16	-0.22	-0.11	+11.77
Finance	123.36	+0.59	+0.48	+5.92
Miscellaneous	165.31	-0.31	-0.19	+2.18
Raw Materials	184.66	+0.01	+0.01	+5.29
Services	154.07	+0.83	+0.54	+12.20
Utilities	140.37	-0.25	-0.16	-2.15

NYSE

Friday's 4 P.M. Close
National prices not reflecting late trades elsewhere.
The Associated Press.

Symbol Price % Change

IBM 100.00 +0.12 +0.12%

Microsoft 40.00 +0.12 +0.30%

Apple 45.00 +0.12 +0.27%

Oracle 35.00 +0.12 +0.34%

Sun 30.00 +0.12 +0.40%

Meta 25.00 +0.12 +0.48%

VeriSign 20.00 +0.12 +0.60%

Excite 15.00 +0.12 +0.80%

Hotmail 10.00 +0.12 +1.20%

Comcast 5.00 +0.12 +2.40%

Earthlink 4.00 +0.12 +3.00%

Prodigy 3.00 +0.12 +4.00%

AOL 2.00 +0.12 +6.00%

NetScout 1.00 +0.12 +12.00%

WebTV 0.50 +0.12 +24.00%

NetScape 0.25 +0.12 +48.00%

HotBot 0.10 +0.12 +120.00%

MSN 0.05 +0.12 +240.00%

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EGYPT

LIBERALIZATION. DEREGULATION. PRIVATIZATION.

The private sector plays an essential role in the development of the Egyptian economy. Increasingly, setting the pace, generating employment, and seeking the rightful place that is Egypt's in the region and in the World financial community.

— PRESIDENT MOHAMAD HOSNI MUBARAK
Keynote address at the World Economic Forum
Davos — February 2, 1997

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China Put Brakes on Exchanges

State's Intervention Helps Depress Stocks

By [Name] in Shanghai

SHANGHAI — Beijing finally brought China's recalcitrant stock market to heel Friday, pushing prices down with the announcement of a new listing quota and the suspension of trading in the shares of several companies.

Shanghai's Composite A share index plunged 2.5 percent to end at 1,411.9 points, and Shanghai's A share index fell 4.62 percent to 1,411.9 points.

The shares, which are reserved for foreign investors, were dragged down by a 7.5 percent to 1,411.9 points, and Shanghai's A share index fell 4.62 percent to 1,411.9 points.

The shares are part of China's foreign currency convertible bonds (FCCBs) program, which was launched in 1995. The program allows foreign investors to invest in China's stock market without converting their foreign currency into Chinese yuan.

The program has been a success, with the value of FCCBs issued reaching \$1.5 billion. However, the program has also been criticized for being too restrictive, with the government imposing a quota on the number of shares that can be issued.

The government's intervention in the market is seen as a move to bring the market under control, but it has also been criticized for being too heavy-handed.

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Continued on Page 14

ASIA/PACIFIC

China Puts Brakes on Exchanges

State's Intervention Helps Depress Stocks

SHANGHAI — Beijing finally brought China's recalcitrant stock markets to heel Friday, pushing prices down with the announcement of a huge new listing quota and the suspension of trading in the shares of several companies.

Shenzhen's domestic A share index plunged 9.33 percent to end at 467.37 points, and Shanghai's A share index was down 4.62 percent, at 1,375.91.

B shares, which are reserved for foreign investors, were dragged down, too, falling 7.8 percent to 159.07 in Shenzhen and 3.51 percent to 84.438 in Shanghai.

The actions are part of China's biggest crackdown on the securities industry in more than two years.

"It's clear the government will take an aggressive stand toward what they consider to be speculative activity," Bruce Richardson, chief of ABN-AMRO Hoare Govett, said. Chinese authorities said they had approved a 30 billion yuan (\$3.61 billion) quota of new share issues for 1997, double the 1996 quota. Authorities also suspended trading in the A shares of two companies on the Shanghai exchange and two in Shenzhen for investigations into sharp fluctuations in their share prices in recent days.

"This was the last straw for the markets today," an A share trader said. "Rumors immediately began to swirl around saying more measures to cool down the markets will follow."

The Shanghai Stock Exchange, China's biggest, halted trading in Shenyang Neu-Alpine Software Co., a computer-software maker that is partly owned by Alpine Electronics Inc. of Japan, and in Hebei Weiyan Industry Co., according to an exchange statement.

The Shenzhen Stock Exchange suspended trading in Luzhou Old-Cellar Co., a liquor producer, and Shenzhen Energy Investment Co., a power company, according to a Shanghai Stock Exchange official.

Regulators also fined four of Shenzhen's biggest brokerages for stock manipulation and threatened to suspend their trading licenses for a year, the South China Morning Post reported, quoting unnamed sources.

Beijing has become increasingly impatient with the stock markets in recent weeks, after months of strong rises that came despite frequent warnings from the authorities about overheating and the risks of stock investments. But analysts said sentiment on the markets remained fundamentally positive, with the economic outlook good.

(Reuters, Bloomberg)



ON-LINE — A visitor trying a "smart" card at a Telekom Malaysia booth. The firm leads a project to promote multimedia in Malaysia. Prime Minister Mahathir bin Mohamad will open a model "cybercity" Saturday in which all homes have the Internet and use smart cards for transactions.

Singapore Growth Rate Slows to 3.8%

SINGAPORE — Singapore's economy grew 3.8 percent in the first quarter from a year earlier, slowing from 5.8 percent growth in the fourth quarter, as the manufacturing sector posted its biggest decline in 12 years, statistics released Friday showed.

The manufacturing sector shrank 6.7 percent in the first three months from a year earlier. The decline was steeper than the 0.7 percent fall in the fourth quarter.

A slowdown in the electronics division led the drop in manufacturing, as electronics output sank 10.3 percent in the first quarter, the Economic Development Board said. In the fourth quarter, electronics rose 6.2 percent.

The electronics industry accounts for the largest portion of Singapore's total manufacturing, at almost half.

"Looking ahead," said Peter

Ong, deputy secretary at the Ministry of Trade and Industry, "we see some positive indications of the electronics turnaround, but the timing and pace still remains uncertain."

"Apart from disk drives and telecommunications equipment, other electronic segments, such as personal computers, consumer electronics and semiconductors re-

Airline Earnings Flat

SINGAPORE — High fuel costs, a strong Singapore dollar and sluggish economies in some of its major markets held back earnings at Singapore Airlines Ltd. last year, the carrier said Friday. In the year that ended March 31, the airline earned a net 1.03 billion Singapore dollars (\$721 million), up 0.1 percent from the previous year.

mained weak," the ministry said.

Some analysts said they expected moves by the government to revive the manufacturing sector. Eddie Lee, regional economist with Vickers Ballas in Singapore, said the possibilities included cutting the corporate tax rate by 2 percent, to 24 percent, in the national budget to be unveiled soon.

The Trade and Industry Ministry maintained its 1997 GDP growth forecast at 5 percent to 7 percent. The island state's economy advanced 7 percent last year.

"The U.S. economy is growing strongly," Mr. Ong said. "This will fuel demand for electronics products."

He added that manufacturing investments coming into Singapore remained "healthy." "We expect businesses to continue to restructure," he said, "as to gear up for competition when the electronics upturn comes about." (Bloomberg, AFP)

Now, Seoul Says Yes to Reforms

Reuters

SEOUL — Party and government officials promised Friday to pursue laws implementing financial reforms, reversing positions they took a day earlier.

The Federation of Korean Industries threw its weight behind the push for change, saying financial-reform efforts would ease pressures on companies that have had trouble securing financing because of a wave of debt defaults by large companies.

On Thursday, the governing New Korea Party, supported by a contingent of Finance Ministry officials, said the government should delay reforms. The party said more time was needed to review reform proposals on issues such as central-bank independence, conglomerates' participation in bank management and mergers and acquisitions of financial companies.

But everything had changed by Friday, when the party said it had agreed with the Finance Ministry to push forward with financial reforms now being drafted by a presidential commission.

"We decided not to ask the government to delay the legislation," a party official said.

The change of heart followed a pledge by Finance Minister Kang Kyong Shik late Thursday to try to enact financial reform by submitting new legislation to a special parliamentary session in June. The presidential commission was to meet Saturday to draft proposals to be sent to President Kim Young Sam by the end of May. But a commission official said the panel would refine some proposals next week.

Analysts were skeptical that reforms would come this year, with a presidential election due in December. "The financial-reform issue seems to have gone back to the starting point," Lee Keumho, head of research at ING Barings, said. "I doubt Parliament's intention to pass the laws."

Investor's Asia

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong Hang Seng	14,062.57	14,062.57	14,041.90	+0.15
Singapore Straits Times	2,068.50	2,068.50	2,068.74	-0.01
Sydney All Ordinaries	2,538.10	2,538.10	2,528.00	+0.39
Tokyo Nikkei 225	20,324.73	20,324.73	20,086.31	+1.18
Kuala Lumpur Composite	1,041.91	1,041.91	1,041.27	+0.06
Bangkok SET	581.19	581.19	587.87	-0.01
Seoul Composite Index	699.53	699.53	699.95	-0.06
Taipei Stock Market Index	4,081.73	4,081.73	7,998.10	-41.07
Manila PSE	2,574.18	2,574.18	2,631.08	-0.01
Jakarta Composite Index	657.07	657.07	656.99	+0.01
Wellington NZSE-40	2,314.84	2,314.84	2,310.72	+0.18
Bombay Sensitive Index	3,758.84	3,758.84	3,741.22	+0.46

Source: Reuters International Herald Tribune

Very briefly:

• Mitsui Fudosan Co., Japan's largest real-estate developer, had a pretax loss of 66.5 billion yen (\$573 million) in the year that ended in March, after heavy losses on property sales. It had a pretax profit of 8.4 billion yen a year earlier.

• Japan's cabinet adopted a plan to help the economy by reforming the structure of high-cost industry by 2001. The measures call for reducing costs of basic services, such as distribution, energy and telecommunications, to levels prevailing in the United States and Europe.

• News Corp. shares took a beating this week amid fears that Rupert Murdoch's interest in the Los Angeles Dodgers baseball team signals another expensive purchase. Shares closed at 5.76 Australian dollars (\$4.48), down 26 cents for the week.

• Honda Motor Co., citing strong sales, said net profit for the year that ended in March could climb to 219 billion yen, the highest in its 49-year history and triple last year's figure.

• Nissan Motor Co. developed a car, for sale at the end of 1998, that has both an electric motor and a gasoline engine that powers a generator to run a traction motor. The car can be used without charging the batteries from an external source.

• Yamaha Corp.'s pretax profit rose 10.4 percent from a year earlier, to 15.1 billion yen, in the year that ended in March. Yamaha, the world's largest maker of musical instruments, said sales rose 5.2 percent, to 402.9 billion yen.

• Dow Corning Corp. of the United States opened a factory in Shanghai, its first in China, to produce silicon emulsion and sealant.

AFP, Bloomberg News, Reuters

Biggest Indian Beer Maker Plans to Acquire a String of U.S. Microbreweries

By Glenn Collins
New York Times Service

NEW YORK — India's largest beer maker and distributor plans to buy up small U.S. brewers and create a more efficient national network of local beer makers, in a new consolidation of the troubled American microbrewery industry.

In entering the U.S. market through an affiliate, the company, United Breweries Group of Bangalore, India, hopes to challenge such giant brewers as Anheuser-Busch Cos. and Miller Brewing Co., which also have sought to acquire microbreweries to enter the so-called craft brewing market.

United Breweries Group is the world's eighth-largest maker and distributor of spirits, with \$1.2

billion in revenue, according to analysts. With its Kingfisher lager brand, it is India's largest brewer, controlling 40 percent of the Indian beer market.

Initially, the plan to create the network under the umbrella of a public company, which must be approved by the U.S. Securities and Exchange Commission, will be modest, comprising seven existing microbreweries that produced 50,000 barrels of beer and had revenue totaling just \$8.5 million last year.

"It's the first time that any company from outside the United States has come here to buy microbreweries and the first time any company has tried to create this kind of network," said Jerry Steinman, publisher of Beer Marketer's Insights, a trade newsletter published in Nanuet, New York.

"The question is whether it will work," he said.

"Other potential major investors have not tried it."

Controlling the American affiliate will be the chairman of the Indian company, Vijay Malia, who has moved from Bangalore to Sausalito, California. His company is actively seeking to acquire new craft brewers through stock swaps that will leave the current owners with a minority interest.

The local microbreweries in the network "will be managed by their present owners, and the breweries' names will stay the same," said James Bernau, who will be president of the Indian company's U.S. affiliate, United Craft Brewers.

Among the seven companies to be included in the network is Nor'Wester Brewing Co. in Portland, Oregon, founded by Mr. Bernau. If the plan survives federal scrutiny, the network of breweries will be

publicly traded on the Nasdaq market under the name United Craft Brewers and the stock symbol ALES, currently the symbol for Nor'Wester. Sales of craft beers, which are made from all-malt recipes without artificial colors or flavors, amount to 2.6 percent of the \$50 billion U.S. beer market, Mr. Steinman said.

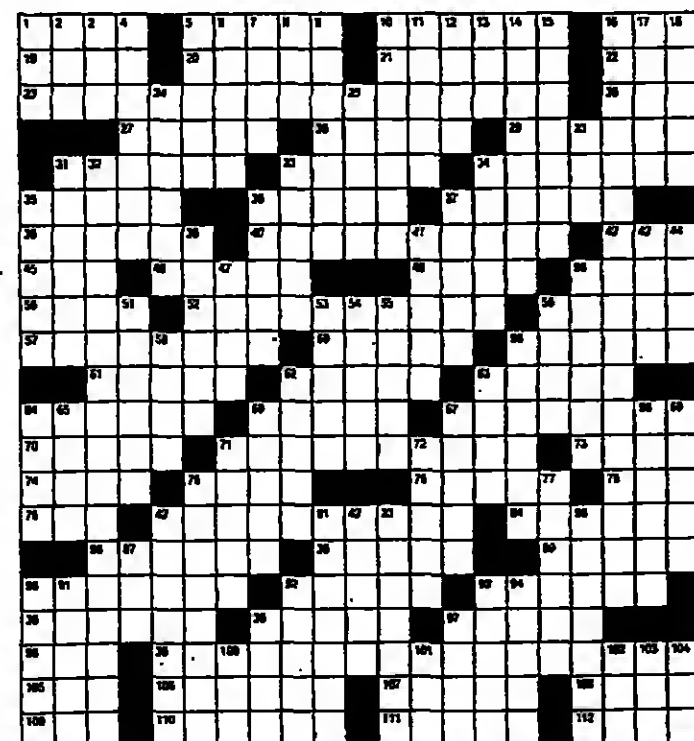
Danone Plans Brewery Venture in China

Groupe Danone, a French food company, has agreed to set up a joint venture in Wuhan, China, with Wuhan Dongxiu Brewery Corp., AFX News in Hong Kong quoted the official Chinese news agency Xinhua as reporting. Xinhua said the group would invest 320 million yuan (\$60 million) and would hold a 60 percent stake in the venture, to be called Wuhan Euro-Dongxiu Brewery Co.

IN HONOR OF 80-ACROSS, By Frances Hansen

- ACROSS
- Like some appliances
 - Cremora name
 - Spile
 - Halloween get-up
 - Imveth (against)
 - Actor Alain
 - 50's TV's Dodgers manager Walt
 - Ship
 - 1936 film
 - Where Maracah Stadium is
 - "La Navarraise" heroine
 - Wesley chest sounds
 - Nursery rhyme character who "fell fast asleep"
 - Dalquiri flavor
 - clock (self-winding timepiece)
 - Fiasco
 - Emergency supply

- Of the upper hipbone
- Started eating
- City on the North Platte
- "It Happened One Night" star
- Printemps month
- Prayer word
- Waiting area for the Robert E. Lee
- One of a Latin trio
- Ursula Andress' birthplace
- Get better, so to speak
- "Meet John Doe" star
- P. C. Wren's Besu
- Rank below abbess
- Kind of space
- Name in Keats's "On First Looking Into Chapman's Homer"



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Karry's
Est. 1911, Paris
"Sank Roo Doe Noo"

A Space for Thought.

HONG KONG: Lending Woes

Continued from Page 9

Kong is set to get a supply surge of roughly 50 percent over the next two years in both residential and commercial property.

Given the new supply, the additional credit necessary to sustain the current world-record-breaking prices should be cause for alarm. Meanwhile, the government is promising to increase the land supply. Land sales revenue last year was equal to 5 percent of GDP. Increase the supply, and either prices will fall or developers will have to borrow even more to sustain them.

Can Hong Kong assume that foreign capital will continue to flow in at recent rates to keep the balloon inflated? Even if the answer is yes, can the banking system assume that it is prudent to continue to increase its exposure to property to levels unheard of in Japan or Thailand?

Have banks stopped to think what would happen, for whatever reason, U.S. interest rates rose two or three

percentage points? Or if some problems in China caused capital outflow or even a modest fall in money supply?

Hong Kong has had a financial crisis in each of the past three decades, all caused by property credit excesses. Last time, in the mid-1980s, several banks collapsed. Each time the banks vowed "never again," but eventually history is forgotten and banks again take to financing large quantities of home mortgages and other projects.

The Hong Kong Monetary Authority has made some efforts to persuade banks to restrain property lending. But it has had scant success. Meanwhile, given Hong Kong's fixed exchange rate and freedom of capital movement, the agency has almost no influence on monetary growth.

The bottom line is that Hong Kong may well get through this credit blister without repeating history. But if good central banking is about reducing risk, Hong Kong has lessons to learn from Japan, Thailand and its own past.

AXA Gets China Access

Reuters

PARIS — The French insurer AXA-UAP said Friday it had won approval from Beijing to sell insurance in China.

Chinese officials told President Jacques Chirac of France during a four-day trade mission to China that they would license AXA-UAP to sell life insurance in Shanghai, making it one of a handful of foreign insurers authorized to enter the domestic market, the company said.

The deal was one of a series of agreements clinched by Mr. Chirac on his visit, which coincided with France's parliamentary election campaign.

AXA-UAP, whose chairman, Claude Bebear, accompanied Mr. Chirac on the trip, said procedural hurdles

meant it would take at least a year before the company could sell policies in China. Foreign insurers are permitted to sell only in Shanghai and Guangzhou.

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GT DEUTSCHLAND FUND

Société d'investissement à capital variable

2, boulevard Royal, Luxembourg

R.C. Luxembourg B-25023

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of the above Fund (the "Fund") will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 99, route d'Esch, L-1170 Luxembourg, on 2 June, 1997, at 2.00 p.m. to consider, and if thought fit, pass the following resolutions:

RESOLUTIONS

1. That the Fund be put into liquidation with effect from the date of the passing of this resolution;
2. That Banque Internationale à Luxembourg S.A. be appointed as Liquidator of the Fund.

The meeting originally convened for 30 April, 1997, could not validly deliberate on the agenda due to lack of quorum. No quorum is required for the meeting on 2 June, 1997, and the passing of resolution number one requires the consent of 2/3 of the shares represented at the meeting.

Since 30th April 1997, it is no longer possible to subscribe for shares in the Fund.

Holders of bearer shares who wish to attend the meeting, should deposit their share certificate with Banque Internationale à Luxembourg S.A., 99, route d'Esch, L-1170 Luxembourg (for the attention of Mrs. Nicole Dupont or Mrs. Anne-Marie Müller) by no later than 5.30 p.m. (Luxembourg Time) on 29 May.

For and on behalf of

THE BOARD OF DIRECTORS

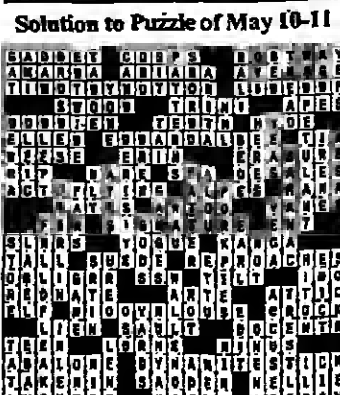


The story of DNA... within every cell, of every living thing, there is a code. CRACKING THE CODE could allow us to transform our world. The problems is, in human beings, the code is six billion letters long.

WATCH IT ON SUNDAYS AT 21.05 CET

BBC
WORLD

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Solution to Puzzle of May 10-11

ACROSS
1. Like some appliances
2. Cremora name
3. Spile
4. Halloween get-up
5. Imveth (against)
6. Actor Alain
7. 50's TV's Dodgers manager Walt
8. Ship
9. 1936 film
10. Where Maracah Stadium is
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12. Wesley chest sounds
13. Nursery rhyme character who "fell fast asleep"
14. Dalquiri flavor
15. clock (self-winding timepiece)
16. Fiasco
17. Emergency supply

Continued on Page 14

Friday's 4 P.M.

Friday's 4 P.M.
The 1,000 most-traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

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Friday's 4 P.M. Close
(Continued)

12 Month High	12 Month Low	Stock	Div	Yld	P/E	52 Wk High	Low	Volume	Open
120.00	110.00	IBM	3.00	2.50%	15.00	120.00	110.00	1000000	115.00
100.00	90.00	Microsoft	0.00	0.00%	20.00	100.00	90.00	500000	95.00
80.00	70.00	Apple	0.00	0.00%	18.00	80.00	70.00	300000	75.00
60.00	50.00	Amazon	0.00	0.00%	25.00	60.00	50.00	200000	55.00
40.00	30.00	Google	0.00	0.00%	30.00	40.00	30.00	150000	35.00
20.00	10.00	Facebook	0.00	0.00%	22.00	20.00	10.00	100000	15.00
10.00	5.00	Twitter	0.00	0.00%	15.00	10.00	5.00	50000	8.00
5.00	2.00	LinkedIn	0.00	0.00%	12.00	5.00	2.00	20000	4.00
3.00	1.00	Slack	0.00	0.00%	10.00	3.00	1.00	10000	2.00
2.00	0.50	Zoom	0.00	0.00%	8.00	2.00	0.50	5000	1.00
1.00	0.20	Dropbox	0.00	0.00%	6.00	1.00	0.20	2000	0.50
0.50	0.10	Box	0.00	0.00%	4.00	0.50	0.10	1000	0.20
0.20	0.05	OneDrive	0.00	0.00%	3.00	0.20	0.05	500	0.10
0.10	0.02	Google Drive	0.00	0.00%	2.00	0.10	0.02	200	0.05
0.05	0.01	Microsoft OneDrive	0.00	0.00%	1.50	0.05	0.01	100	0.02
0.02	0.00	Apple iCloud	0.00	0.00%	1.00	0.02	0.00	50	0.01
0.01	0.00	Amazon Drive	0.00	0.00%	0.50	0.01	0.00	20	0.00
0.00	0.00	Google Photos	0.00	0.00%	0.20	0.00	0.00	10	0.00
0.00	0.00	Microsoft Photos	0.00	0.00%	0.10	0.00	0.00	5	0.00
0.00	0.00	Apple Photos	0.00	0.00%	0.05	0.00	0.00	2	0.00
0.00	0.00	Amazon Photos	0.00	0.00%	0.02	0.00	0.00	1	0.00
0.00	0.00	Google Photos Library	0.00	0.00%	0.01	0.00	0.00	0	0.00
0.00	0.00	Microsoft Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Apple Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Amazon Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Google Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Microsoft Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Apple Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Amazon Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Google Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Microsoft Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Apple Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Amazon Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Google Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Microsoft Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Apple Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Amazon Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00
0.00	0.00	Google Photos Library	0.00	0.00%	0.00	0.00	0.00	0	0.00

Sl. No.	Particulars	Amount	Total
1	Salaries and Wages	100000	100000
2	Grants-in-Aid	50000	50000
3	Subsidies	20000	20000
4	Income Tax	10000	10000
5	Gifts and Donations	5000	5000
6	Interest on Loans	10000	10000
7	Depreciation	5000	5000
8	Provision for Contingencies	10000	10000
9	Reserve for Depreciation	5000	5000
10	Provision for Contingencies	10000	10000
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12	Provision for Contingencies	10000	10000
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14	Provision for Contingencies	10000	10000
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99	Reserve for Depreciation	5000	5000
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1. The first part of the document is a header section containing the following information:
 a. The name of the company: "The First National Bank of New York"
 b. The address: "100 Wall Street, New York City, New York"
 c. The date: "January 1, 1900"
 d. The name of the person: "John Doe"
 e. The title: "President"
 f. The name of the person: "Jane Smith"
 g. The title: "Vice President"
 h. The name of the person: "Robert Johnson"
 i. The title: "Cashier"
 j. The name of the person: "Mary White"
 k. The title: "Teller"
 l. The name of the person: "Charles Brown"
 m. The title: "Assistant Cashier"
 n. The name of the person: "Elizabeth Green"
 o. The title: "Assistant Teller"
 p. The name of the person: "William Black"
 q. The title: "Assistant Teller"
 r. The name of the person: "Margaret Gray"
 s. The title: "Assistant Teller"
 t. The name of the person: "James Blue"
 u. The title: "Assistant Teller"
 v. The name of the person: "Anna Red"
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B: Philip Segal

WHAT WILL happen to the Hong Kong market after China takes over on July 1? The answer comes in the form of a question: Which Hong Kong market? Now that some Chinese investors are not and Hong Kong's stock market is not, which exchange and market and Chinese issues—is driven by the market's players with an eye fixed on Wall Street, the Hong Kong market is expected to never before.

—We are not yet fully merged in the Hong Kong stock day, said John Nava, SC Securities.

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said there is a powerful
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Q&A **Mark Mobius**

Beijing Won't Unless It Feels

0. Why have some of the main
 market been so weak. Hong
 Kong and Singapore fell sharply in
 the quarter, although Hong Kong
 was recovered. Thailand and Korea
 have been weak for a couple of

everybody was sold on this idea for Asia and they even had like everything else they had to do. No one could deny that there are always some good growth stories in the world. The major double-digit rate of economic growth. It is still a highlight of the developed countries. I will let the Hong Kong economists tell Hong Kong remains a free-market capitalist economy. I don't think the China authority, after the free-market capitalist economy of Hong Kong, capitalist economy has a political and economic reasons why they should not do it, also because the trend of development itself is away from a centralized and controlled economy to a free liberal, free-market economy to a market. They will keep their market as there are no political problems. No matter what happens, politically, it will be a good place to live. You cannot separate politics from the economy entirely. If the rule of law breaks down, if corruption prevails, if freedom of competition is denied, if more money is printed and if a number of freedoms

THE
REPORT

Hong Kong Investing After the Handover: First Define the Market

By Philip Segal

WHAT WILL happen to the Hong Kong market after China takes over on July 1? The answer comes in the form of another question: Which Hong Kong market? Now that some China-based stocks are hot and Hong Kong's Hang Seng Index — which excludes most mainland Chinese issues — is driven by institutional buyers with an eye fixed on Wall Street, the Hong Kong market is fragmented like never before.

"We've got a four-tier market in Hong Kong these days," said John Scofield, an analyst at Nava SC Securities.

In addition to the wildly popular China stocks known as red chips, he said, there are a handful of liquid companies that drive the Hang Seng Index and take their cues from the direction of U.S. stocks. Among these are the biggest companies on the market, the HSBC Holdings PLC banking empire, which constitutes 22.5 percent of the index, and Hutchison Whampoa Ltd., which has interests in ports, retailing, real estate and oil.

A bad day on Wall Street can clobber these stocks, no matter what may be happening in Asia's economy. But when things are going well, they carry the index. Even though the Hang Seng has soared this year, 24 of the index's 33 stocks have fallen since January.

The non-China market then branches into the third tier of large real estate developers and finally to smaller developers, real estate investment companies, utilities and everything else.

The market as a whole has been lagging the big property stocks and HSBC the last two years, and everything has been scorched by the red chips, which since the end of 1995 have outperformed the Hang Seng by 78 percent. Considering the Hang Seng rose 33.5 percent last year, that is not too shabby.

Hong Kong is dominated by real estate-related stocks. The overwhelming reliance on local property earnings distinguishes Hong Kong from other emerging markets, as does its rigidly fixed exchange rate, which makes local interest rates march in lock step with those in the United States.

Anyone trying to figure out the future of the market needs to take a view on the currency and real estate, plus the obvious political risks associated with the handover to China.

• The currency peg. So far, there is no indication of any run on the Hong Kong dollar, not least because of the \$60 billion in foreign-currency reserves held by the Hong Kong Monetary Authority, plus China's promise to help support the currency with its \$100 billion of reserves. Yet, if the Hong Kong dollar should come unglued from its rate of within 1 percent of 7.8 to \$1, the market could be expected to plunge on the assumption

that some of the foreign investment in Hong Kong comes because of the attractiveness of the scant currency risk.

Writing recently in the South China Morning Post, the regional vice president for Credit Suisse First Boston, Alan Smith, said that technically it would be difficult for speculators to break the peg, since there are only a handful of banks with enough Hong Kong dollars to lend to short sellers. It is not in the business interest of these banks, which hold Hong Kong dollar mortgages, to help pummel the local currency, he wrote.

More likely, any break in the peg would come if local people, who keep a little more than half their deposits in local currency, decide to convert their holdings as a hedge or because they chose to emigrate. With the absence of capital controls in Hong Kong, they could do this in the space of a morning.

At least 20 percent of Hong Kong residents have foreign documents allowing them to live elsewhere. Emigration from Hong Kong is down, after rising sharply following the 1989 crackdown on protesters in Beijing, but it usually takes at least two years for visa and passport applications to be processed.

• The real estate market. About 70 percent of companies on the Hong Kong exchange derive at least some of their earnings from real estate, and that proportion is rising. A reliance on real estate makes the market sensitive to movements in interest rates.

Property bulls like to think about all of the mainland Chinese who could be getting ready to move to Hong Kong after July. Thousands of state company employees will want a presence in Hong Kong and will need places to live and work, goes the argument that was put forward by Morgan Stanley & Co. It has predicted a doubling of the Hang Seng Index within three years.

While the Chinese will be coming, the question is: Will they pay top dollar for prime office and apartment space?

"You have to stand back and pinch yourself and ask would you pay a million bucks or more for a little place in Hong Kong?" said Hugh Young, a fund manager at Abraxas Unit Trust Managers in Singapore.

The Chinese will come to Hong Kong, he said, but would "internationalize very quickly," and see that there is better value in real estate elsewhere in Asia and beyond.

Retail real estate in Hong Kong is likely to double in the next five years, to 30 million square feet (2.78 million square meters). New office space coming on the market will total 12.7 million square feet by the end of next year.

• The political risks. Indications for now are that the transition will be a peaceful one, but if it is not, watch out.

"Stock prices have discounted a smooth political transition and any bad news is likely to be treated badly by international investors, more so given

the global attention on Hong Kong throughout 1997," wrote Andrew Look of Prudential Portfolio Managers in the Singapore Business Times.

Polls show residents of Hong Kong have been unsettled by fears that China would limit individual rights. A major crackdown on civil liberties could cast doubt on China's most-favored-nation trading status with the United States. A loss of the status would mean Hong Kong's economic growth rate could be

cut in half, according to Hong Kong government predictions.

So how can you invest defensively in Hong Kong real estate? Some analysts figure the top developers, such as Sun Hung Kai Properties Ltd. and Henderson Land Development Co., are expensive, but companies that invest in finished real estate and rent it out have lagged the market. The BZW brokerage has buy recommendations on Great Eagle Holdings Ltd. and Hysan Development Co.,

two office landlords that are among the Hang Seng Index's smaller constituents.

For investors with more than \$10,000 to spend, there is another way to invest in Hong Kong and China that ignores the Hang Seng Index as well as red chips, but still offers solid returns.

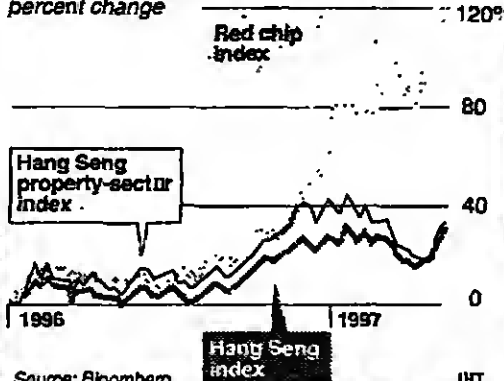
The Value Partners A fund has outperformed the Hang Seng Index in the four years since its inception in April 1993, up 130.2 percent after performance fees, compared with the Hang Seng's rise

of 97.2 percent. It shuns big capitalization stocks and instead buys smaller companies not followed by the rest of the market. Its three largest holdings at the moment are Fountain Set Holdings, a textile company, the construction company Kumagai Gumi (Hong Kong) Ltd., and the electronic toy and computer company Vtech Holdings Ltd.

For further information, call: VALUE PARTNERS 552 2880 0263. The fund is not offered to U.S. residents.

Hong Kong Equities

Performance of equity indexes since Jan. 1, 1996, percent change



Source: Bloomberg

Hongkong and Shanghai Banking Corp.'s headquarters in Hong Kong. Currency, real estate and politics are factors in assessing Hong Kong's future.

A Logic-Defying Frenzy to Buy Pricey Red Chips

By Philip Segal

THERE MAY still be some bargains among Hong Kong's red-chip stocks, but do not expect fundamental analysis to indicate where they are. On a fundamental basis, red chips look extremely expensive, but people keep buying them, whether the rest of the Hong Kong market is up or down.

When it comes to red chips, Hong Kong resembles the casino-like stock market in China. On the mainland, the large stocks trade at big premiums to lower-risk, better-quality companies in Hong Kong, moving less with regard to fundamentals than to the whims of the regulators. If there is any suspicion that stocks have risen too high for the liking of the authorities in Beijing, they plunge.

The same hazard now threatens the red-chip rally in Hong Kong.

"What would endanger the whole thing would be an effort by the Chinese to get the A and B share levels down," said Gary Coull, chairman and chief executive of Credit Lyonnais Securities (Asia), referring to China's domestic markets.

Since most of the red-chip frenzy is driven by Chinese — not foreign — money, the impact of a domestic crackdown could stop the flow of funds into red-chip stocks, he said.

The so-called red chips are Chinese state-controlled companies listed and

incorporated in Hong Kong. Some ordinary businesses have been hundreds of times oversubscribed at their initial public offerings. Red chips are supposed to be much better bargains than either B shares, which are Chinese companies available to foreigners and traded in China, or H shares, which are Chinese-incorporated companies traded in Hong Kong.

Investors get excited because as subsidiaries of state companies, red chips go public with promises that they will be allowed to buy assets from their parent outfits in China at big discounts. This process is known as asset injection, but the companies do not just receive an injection; they pay for it. Usually, they raise money before saying which assets they will buy, but investors care little.

The fact that many of the red chips have mediocre business prospects, given their price tags, is of minor concern to short-term investors, as most of the companies are in the midst of doubling or tripling in size. In such conditions, profits on a gross basis will almost always rise.

Still, the red-chip optimism "is almost self-fulfilling," one analyst said. Red chips buy cheap assets from their parents, but often this is done with shares. The higher investors bid for the shares of the listed company, the cheaper the asset will be. Yet at some point all of the acquiring will be done, and company managers will have to perform.

Can they? While red chips are better than other Chinese companies at dis-

closure, management skill on the ground is another issue.

In fact, only a handful of red chips managed to boost their operating margins in 1994 and 1995, and the picture for last year was not much better, according to company results released in April.

Typical was one of the most popular of the stocks, China Resources Enterprises Ltd. It reported that while 1996 profits rose 109 percent, operating profit fell 13 percent. The company made its money by spinning off a subsidiary that was heavily oversubscribed. China Resources gets to bank the income from all that money after it hands out refunds to applicants who failed to get new shares.

"At the end of the day, it's mainland management like in the H shares and B shares, and the assets are the same as the H shares and the B shares," said Graham Ormerod, head of research at Jardine Fleming in Hong Kong.

That means one of two things, he concluded: "Either the H and B shares are worth more than they're being paid for, or the reds are too high."

Since half the H shares in Hong Kong reported reduced earnings last year, the chances that these will soon trade at 38 times expected per-share income, like the red chips, are fairly slim.

Red chips may seem tempting given that economic growth in China is approaching 10 percent, but a disproportionate amount of exports and growth comes not from the state sector, but

from foreign-invested joint ventures and unlisted township and village enterprises. Many state enterprises suffer from overcapacity and churn out goods no one wants to buy.

Shanghai Industrial Holdings Ltd. is the favorite red chip of many analysts, even those who acknowledge that the appetite for these stocks has turned manic. One of the company's advantages is that its parent is rich and has guaranteed its subsidiary income from toll roads or other infrastructure projects.

Many analysts and fund managers agree that a guarantee, a common red-chip selling point, is the last reason to buy one of these stocks.

"If it comes to exercising guarantees, we're in trouble," said Nerissa Lee, Investment Director at Guinness Flight Asia Ltd. She has 44 percent of her China fund in red chips, including Shanghai Industrial. As part of her H-share holdings, she says toll-road offerings in the coming months in Zhejiang and Jiangsu provinces, near Shanghai, look promising.

Aside from real estate, infrastructure is the next-biggest attraction among the red chips, although not all toll roads in China are sure-fire hits. Investors in toll roads need to make sure the company can actually collect its money: the superhighway running from the Hong Kong border to the southern city of Guangzhou, built by Hopewell Holdings Ltd. of Hong Kong, has experienced problems because of free riders.

Q & A / Mark Mobius

Beijing Won't Pounce Unless It Feels Prodded

Mark Mobius has spent much of the last 30 years roaming around emerging markets, ferreting out investment bargains. For the last decade, he has been with the Templeton fund family, now known as Franklin Templeton Group, where he heads the emerging-markets division. He spoke with Conrad de Aenlle about prospects ahead of the Chinese takeover of Hong Kong on July 1.



Mark Mobius: A passive China.

Q. Why have some of the main Asian markets been so weak? Hong Kong and Singapore fell sharply in the first quarter, although Hong Kong has recovered. Thailand and Korea have been weak for a couple of years.

A. Everybody was sold on this growth story for Asia and they overdid it. Just like everything else, they went too far. No one country goes forever; there are always corrections. The growth story is intact, but it is not spectacular double-digit or high-single-digit growth. It is still double that of the developed countries.

Q. Will the Chinese authorities really let Hong Kong remain a free-market capitalist economy?

A. I don't think that China will try to alter the free-market capitalist economy of Hong Kong, not only because there are political and economic reasons why they should not do it, but also because the trend of events in China itself is away from a centralized and controlled economy to a more liberal, free-market capitalist economy. They will keep their word as long as there are no political problems.

Q. No matter what happens politically, will it still be a good place to invest?

A. You cannot separate politics from the economy entirely. If the rule of law breaks down, if corruption increases, if freedom to move money and assets is denied, if free travel is restricted and if a number of freedoms

in the economic sphere are denied, then there will be a definite impact on investment.

Q. Beijing has displayed pragmatism where economics is concerned. Will the need for investment help the Chinese authorities keep their word, at least up to a point, about their treatment of Hong Kong?

A. I don't think the people in China who make decisions will allow an economic argument to overwhelm a political argument. When it comes to control and stability, they will not compromise. A lot of people make that mistake, thinking China will submit to economic pressures. They will not do that.

I was recently in Africa on safari. We had an open truck and people said, "The lions are right there, is this safe?" But lions are basically very lazy animals, they will only get up when they have to. It is a little like China. I don't want to say they are lazy, but they will generally not react until it is really required. They will be passive until there is a good reason to be active. In the case of Hong Kong, I don't think they will disturb it until

Continued on Page 17

A Large Group of Funds For a Variety of Pockets

By Barbara Wall

MANY INVESTORS readily acknowledge the investment opportunities that are likely to flow from Hong Kong's economic integration with the mainland, but some may be dissuaded from investing in the region because of the high costs involved.

Buying and selling the shares that make up the Hang Seng Index can be up to four times more expensive than dealing on the London and New York exchanges. Moreover, go-it-alone investors will generally not be advised to invest in Hong Kong securities unless they can diversify risk. This will demand an outlay of at least \$1 million.

But the range of funds investing in Hong Kong and China has expanded in recent years to suit a variety of pockets and risk profiles. The main difficulty is choosing among them. The majority of funds have not been going long enough to establish consistent track records, and a cursory glance gives the impression that their investment aims and objectives are so similar as to be almost indistinguishable.

The stated aim of most growth funds

investing in the region is to take advantage of investment opportunities flowing from China's economic revolution. Paul Guarnieri, director of investment operations for Asian equities at Salomon Brothers Inc. in Hong Kong, suggested that investors look at how fund managers aim to achieve their objectives, because this will affect management charges and affect the trade-off between risk and reward.

"Some fund managers do little more than follow the Hang Seng Index, while others — primarily Hong Kong-based boutique-style investment houses, such as Value Partners — concentrate on pure stock selection," Mr. Guarnieri said. "A few fund managers try and steer a middle course between the two investment approaches, only deviating from the index weightings when the occasion warrants it."

"Although some of the index funds have done reasonably well," he added, "I wouldn't recommend investing in them to gain exposure to Hong Kong and China. The Hang Seng is heavily tilted towards financial stocks including property and, consequently, is extremely sensitive to U.S. interest-rate

Continued on Page 17

Hong-Kong Registered Funds

Total return in U.S. dollars over one year to April 1, 1997.			
CIBC-CEI HK Warrant	33.16%	Tel: (852) 2965 6877	
Barclays ASF Hong Kong	48.51	Tel: (852) 2903 2106	
HSBC GIF Hong Kong Equity	45.15	Tel: (852) 2801 0265	
Thornion New Tiger HK	38.34	Tel: (852) 2826 8898	
Dres Thornion ASF HK	34.40	Tel: (852) 2826 8888	
Schroder Asia Hong Kong	31.30	Tel: (852) 2848 1700	
ImPac AP Hong Kong	29.54	Tel: (852) 2810 1608	
SHK Middle Kingdom	28.81	Tel: (852) 2822 5679	
GT Hong Kong B Share	27.78	Tel: (852) 2842 7858	
GT Hong Kong A Share	27.10	Tel: (852) 2842 7858	
Schroder Asia HK Sm Co	25.81	Tel: (852) 2843 7746	
Royal Life/Baring Hong Kong	25.03	Tel: (852) 2841 1411	
Baring IUF Hong Kong	23.09	Tel: (852) 2841 1411	
JupiterTyndall GF Hong Kong	22.12	Tel: (852) 2845 4333	
Dao Hong Hong Kong	21.08	Tel: (852) 2831 7850	
Hansard EU Hong Kong	20.62	Tel: (852) 2821 8830	
Fidelity Fds Hong Kong & China	20.48	Tel: (852) 2848 1418	
Finistere Hong Kong Life	20.01	N/A	
Nikko GIUF Hong Kong Fund	19.93	Tel: (852) 2889 1009	
Guinness Flight Hong Kong	19.40	Tel: (852) 2861 6901	
Value Partners A	18.87	Tel: (852) 2880 9263	
OMI Galileo HK Stockmarket	18.65	Tel: (852) 2531 6888	
Colonial Securities Hong Kong	17.77	Tel: (852) 2511 4060	
Gartmore CSF HK & China	17.63	Tel: (852) 2827 3821	
Old Mutual Gray HK SImkt	17.32	Tel: (852) 2531 6888	

Source: Mitrapi

May 16, 1997

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THE MONEY REPORT

For the Nostalgic Investor, Imperial Memories in 2 Venerable Hong

By Ann Brocklehurst

WHEN HONG Kong is returned to China on July 1, investors will be able to indulge a nostalgia for empire by buying shares in two of the former colony's most famous trading houses, or Hong Kongs. The old houses of Jardine Matheson and Swire Pacific are now less fashionable than competing conglomerates in Asian hands, and their profits have sagged in recent years, but for those who expect Hong Kong and China to thrive, their current stock prices represent good value, according to a number of analysts.

Of the two companies, Swire Pacific Ltd. is by far the favorite. Until May 7, when top executives of Jardine Matheson Holdings Ltd. met Deputy Prime Minister Zhu Rongji of China, the group's future was clouded by its cool relationship with the mainland.

After the meeting, its shares shot up 7 percent as optimistic investors bet that the company had been forgiven not only for recent sins, such as delisting its shares from the Hong Kong exchange in 1992 and moving its headquarters to Bermuda in 1984, but also for peddling opium in the 19th century.

Analysts were quick to point out, however, that Jardine's shares, which now trade in Singapore, have been weighed down by more than the conglomerate's relationship with China. Its attempts at diversification, under way for decades, have not always been successful

and the worst losses have occurred when the company strayed beyond Asia.

One of its most spectacular failures was a \$218 million loss on an investment in Trafalgar House PLC, the British construction, hotels and shipping conglomerate, which was sold to Kvaerner ASA, the Norwegian ship-builder, in 1996.

Jardine also has felt negative impacts of slowing economic growth in many of the Asian countries where it is active. Last year, it took a \$26 million charge related to a scandal at Jardine Fleming, the group's banking arm.

"People tend to focus on the problem businesses," said Neil MacKay, director of Hong Kong Research at Schroder Securities Ltd., which rates Jardine outperform. "But they have a group of retail businesses in Asia which no one else can replicate."

Mr. MacKay described the troubled Dairy Farm International Holdings Ltd. supermarket subsidiary's chances of recovery as "very positive." He also said he expected earnings at the group as a whole to pick up, although he said "it may be a very slow affair."

Mr. MacKay added: "They need more favorable markets throughout the region. They can't just wave a magic wand and make things better."

In a report on Jardine Matheson Holdings issued in March, Merrill Lynch & Co.'s Christine Leung forecast a 5 percent rebound in trading profit in 1997 and 13 percent in 1998. With Jardine trading at a 45 percent discount to the Hong Kong conglomerate sector and a 17 per-

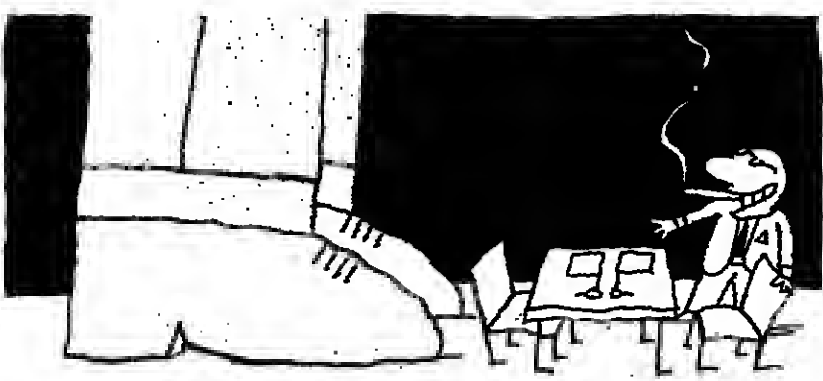


Illustration by Michael Agius

cent discount to its book value of \$7.09 per share, she maintained her accumulate recommendation despite lower-than-expected first-quarter profits.

According to Frank Chiang, the San Francisco-based portfolio manager for Montgomery Asset Management's Emerging Asia Fund, Jardine, a complicated organization, also appears to be taking steps to address some of the concerns about shareholder value. Company executives recently visited the United States to talk to investors, but Mr. Chiang has not yet been convinced to buy Jardine shares, which are trading about 30 percent below their high since moving to Singapore of \$9.05. (The stock trades in U.S. dollars.)

Mr. Chiang said he had lingering concerns about the quality of management. Although he sees the recent China meeting as a good sign, he said that Jardine was no longer just a "Hong

Kong/China play," but rather a "regional play," with a significant portion of its earnings coming from elsewhere in the Pacific.

Mr. Chiang also points out that while much of the current talk is about whether the playing field will be level for Jardine and Swire after the Hong Kong handover, the two companies have long enjoyed a competitive edge over others thanks to their British roots. He cited the

attractive stake in a container terminal project that the British colonial government awarded Jardine as an example. He noted that this deal so enraged the Chinese, who had been miffed by Jardine's lack of commitment to Hong Kong, that they delayed construction on the project for years.

"Jardine and Swire won't have the advantage they once had," Mr. Chiang said. "But the meeting means they will not be discriminated against — overtly."

He added that even a company like Swire, which took the opposite tack from Jardine and has for years been moving to establish close ties to the Chinese, may find life harder under the new regime.

Despite being bullish about Swire, which he described as "extremely cheap at current levels," Mr. Chiang expressed concern about its Cathay Pacific Airways subsidiary, which has enjoyed almost exclusive rights to many destinations for years. He believes Swire may have been acting prudently when it allowed the mainland China International Trading & Investment Corp. to take over a healthy chunk of

Cathay Pacific this spring.

Although that move provoked debate about just how close to China Swire should be, the company's prospects have been publicly praised by the likes of the Hong Kong contrarian Marc Faber, who is outspoken and generally gloomy about the colony's future. On the other hand, Swire is also well regarded by Hong Kong optimists, even though they see better growth prospects for competing conglomerates such as Hutchison Whampoa Ltd. and the red chip CITIC Pacific Ltd., which is 26 percent-owned by CITIC, a government agency.

Mike Warren, regional conglomerates analyst at Morgan Stanley & Co., has just upgraded Swire to an outperform based on his perception that it offers value.

But he added: "Jardine and Swire don't offer growth. At current levels, downside risk is limited, but on the upside, there are better opportunities."

Among those opportunities, Mr. Warren included some of Jardine's and Swire's listed subsidiaries, such as Swire's Cathay Pacific and Jardine's Hongkong Land Holdings Ltd., as well as its Mandarin Oriental International Ltd. hotel subsidiary.

Market's Down? Must Be Monday

CONGRESS IS scheduled to leave Washington on Thursday for what has come to be known euphemistically as a "District Work Period," otherwise called a recess or Memorial Day vacation. Investors should pay heed. According to new research, this could be one of the best times to put your money into the U.S. stock market.

"Almost the entire advance in the market since 1897," the researchers said, "corresponds to periods when Congress is in recess. This is an impressive result, given that Congress is in recess about half as long as in session."

For decades, analysts have been studying the effects of the calendar on stocks. But until now, no one has seen such a direct, simple and long-term connection between the congressional calendar and the market.

Over the 96-year period that was studied, 89 percent of the gains in the Dow Jones industrial average occurred when the House of Representatives was out of session and only 11 percent when it was in session.

Or, to put it another way, on the average day that the House was out, the Dow rose 0.054 percent, or roughly 4 points at its current level. On the average day that the House was in, the Dow rose only 0.004 percent, or about one-quarter of a current point.

The researchers found that from 1984 to 1993, the Dow rose 326 points on days when the House was open and 2,347 points when the legislators were out. The Dow rose more than seven times as much during the closed periods, even though the House was open nearly twice as long as it was closed.

The research by Reinhold P. Lamb and William F. Kennedy of the University of North Carolina at Charlotte; K.C. Ma of the KCM Asset Management Group in Wilmette, Illinois; and Daniel Pace of the University of West Florida was published in the latest edition of the Financial Services Review, The Journal of Individual Financial Management.

So, why does the market love it when Congress is out of town? The authors could only guess. "Perhaps," they write, the poor results for stocks while the House is in session "is due to the uncertainty generated while Congress is debating policy, regulatory and procedural issues."

On the other hand, "when Congress is in recess, so bills and regulatory matters are being formally debated or formulated. Perhaps the market enjoys the temporary certainty exhibited by the absence of congressional decisions, and responds with positive movements."

In other words, the market frets while Congress dithers, but, when Congress exits, its potential mischief

during the next two years of the election cycle.

The worst year in the cycle comes just after an election (a year like 1997). Since 1832, such years have produced 22 losses and 19 gains, for an aggregate loss of 3 percent. In the year before an election, the market has had 28 gains and just 13 losses, for an aggregate return of 295 percent.

The worst year of the decade is the seventh. Since 1885, according to Mr. Hirsch, the market has declined eight out of 11 times in years ending in 7. By contrast, the market has never lost ground in a year ending in 5.

The current year, therefore, gets a double-whammy. The Standard & Poor's 500 Stock Index has produced double-digit losses in each of the last five post-election years ending in a 7. Average loss: 20 percent. So far in 1997, the S&P is up 13 percent. Could a loss of 30 percent or more during the last six and a half months of this year be inevitable?

The two most important facts that any investor needs to understand is that, over the past 70 years, stocks have returned an annual average of 10.5 percent and that, when held for 10 years or more, stocks are not much more risky than bonds or even Treasury bills.

Recognizing that the market makes nearly all of that 10.5 percent gain when Congress is out of session is nice to know, but it is irrelevant to the earning of an overall 10.5 percent.

If you want to take a chance by cautiously switching, with congressional prerogatives, in order to earn more, then be my guest. But you should recognize that you will incur capital gains, brokerage commissions and heartburn. Call me stodgy, but while the "Congress Effect" is amusing and even instructive, it is not going to guide my investing.

Washington Post Service
For further information:
• WRITE TO: The Journal of Individual Financial Management, c/o JAI Press, Inc., Box 1678, Greenview, Connecticut 06033, U.S.A.
• CALL: Stock Trader's Almanac, 1-800-767-4100

BRIEF CASE

BT Retirement Product Weds GICs and Funds

It seems like an idea somebody should have thought of a long time ago. Bankers Trust Co. in New York is offering an investment vehicle for retirement accounts that combines elements of a mutual fund with a guaranteed investment contract.

The BT PreservationPlus Fund invests in a range of products that includes fixed-income securities such as corporate bonds, U.S. government securities and asset-backed securities, as well as wrap contracts, derivative instruments that will ensure the fund can maintain a \$10 per share net-asset value. The fund is open to individual investors around the world but only through employer-offered participant-directed retirement plans.

Outside of such plans, individuals could achieve similar goals by purchasing floating-rate bonds.

Conventional guaranteed investment contracts offer stated interest rates for agreed terms, like certificates of deposit, but they are hard to administer to groups of investors, such as the members of a U.S. company's 401(k) retirement plan. Many American plans instead offer money-market funds for members who seek safety, but their yields tend to be lower than those on GICs. Standard bond funds would provide higher yields, but the net-asset value of their shares — and thus the principal of investors — would be at risk if interest rates rose.

The fund will seek to offer an annual return of 2 to 3 percentage points above money-market-fund rates, which currently are about 5 percent. (IHT)

unlikely to have a lot of new unit trusts being formed." The association's director-general, Philip Warland, said the new structure was "better adapted to meet the needs of an international audience, allowing easy access to this resource." He added that the open-ended vehicles would compete with offshore rivals.

With British unit trusts, money is invested on a person's behalf, rather than by a company in which they own shares, as in the mutual-fund structure. British unit trusts also use a dual pricing system, with an offer price at which shares are sold and a bid price at which they are repurchased from the investor. The spread in between is used to pay commission, dealing and marketing expenses. With an open-ended investment company, a single share price reflects the net-asset value of the underlying securities. A separate commission is levied on purchases.

The open-ended structure has yet to be approved for the British personal-equity plans, but GAM was able to jump the gun because its Japan fund did not qualify as a PEP anyway. Qualifying funds must have at least half of their investments in European securities.

GAM Japan Growth Fund will have two share classes: A shares, with an initial charge of 5 percent and an annual management fee of 1.5 percent, and B shares, only available through financial intermediaries, with an upfront 4 percent fee and 1.75 percent annually. The minimum investment in either is £10,000 (\$16,400). (Bloomberg, IHT)

FOR MORE information, call GAM at 44 1624 632 777 or, in Britain, 0800 919 927, or visit the GAM web site at www.gam.co.uk.

Commodities Vehicle For Small Investors

Taking refuge in commodities has long been a defense against inflation, but not something readily available to small investors. Now, with signs of inflation looming in the United States, a new open-end fund launched by Oppenheimer Funds Inc. hopes to remedy that. Its Real Asset fund will have a third of its assets in securities linked to the 22 commodities of the Goldman Sachs Commodity Index, including livestock, grains, oil and metals. The remainder of the portfolio will be invested in short-term U.S. government securities.

The fund differs from existing commodity funds in several ways, according to Oppenheimer. The minimum investment is \$1,000, and fees will total 1.5 percent a year, in contrast to commodities futures pools, which typically re-

quire at least a five-figure investment, and assess average fees of 2 percent a year, plus 20 percent of the profits. "It's really the first commodities fund which is broadly available for the average investor," said Rob Densen, an Oppenheimer spokesman. (IHT)

FOR MORE information, call 800-746-3434 or, in the United States, 800-470-0964. Oppenheimer's web site, www.opfunds.com, has information on the fund and its prospectus.

Citi Screens Accounts

Citibank has introduced an electronic banking system, Screen Phone, for account holders in Britain that has features of telephone and Internet banking.

Clients can access their accounts using a device made by Philips Electronics N.V. that includes a telephone, keyboard and five-inch (13-centimeter) screen.

It permits balances and recent transactions to be checked and funds to be transferred between accounts. Screen Phone can be set up to give prompts on the screen or orally, and there is a panic button that can connect the caller to another human being if there is something electronically or financially confusing or urgent.

Alyson West, Citibank's marketing manager for global consumer banking in London, said the gizmo was designed to accommodate customers who may be technophobic or who use a computer at work all day. It costs £195 (\$320) to buy or £10 a month to rent. It is free for clients with £75,000 or more in a Citibank account. (IHT)

FOR MORE information, call 0800 004 300 within Britain.

Schwab Raises Ante

Charles Schwab Corp. will raise the minimum investment to buy other companies' mutual funds through its so-called supermarket to \$2,500 from \$1,000. The biggest U.S. discount broker's own money-market and index funds in its mutual fund marketplace, including the popular OneSource supermarket, which does not charge commission or exit fees, will continue to have a \$1,000 minimum. (Bloomberg)

Correction

An illustration in the Money Report issue of May 10-11 provided only a partial credit for the source of the information. The data on corporate growth rates before and after spin-offs was taken from a study by Lehman Brothers and Pennsylvania State University.

E-mail address: moneyrep@iht.com

Wagering on Restraint by Beijing

Continued from Page 15

something galvanizes them into action.

Q. Hong Kong shares have done better than those in almost every other Asian market during the last year or two, despite the political uncertainty and despite the recent sharp decline, something that hit several markets in the region. Are all the potential negatives really factored into prices?

A. We believe that most of the negatives are already factored into prices, and if the political fears were not so salient, the market would be much higher. There is political risk in every country, even the most seemingly stable countries, and that is true of Hong Kong and China. I think that most possible shocks have been considered, but shocks can come from any quarter — regional, in-

ternational or domestic.

Q. Looking on the bright side, if June 30 comes and goes without difficulty, will there be a leap in foreign investment?

A. I don't think there will be an appreciable increase in foreign investment, since there already is considerable investment in Hoog Kong, but there will be more investment from China itself.

Q. You're a value investor, looking for cheap companies, not cheap countries, but are your Asian and global portfolios underweight or overweight in Hoog Kong?

A. We are generally overweight in Hong Kong, although we have reduced the weighting in the last six months. We have not purchased any stocks in Hong Kong recently.

Q. What was it about the companies you sold that put

you off them?

A. Their rise in price made them more expensive than other stocks we could purchase. It was simply a matter of price.

Q. What sectors offer the best bargains?

A. Just as we do not pick markets, we also do not pick sectors. It just so happens, however, that in Hoog Kong we are overweight in the property conglomerates and the financial sector.

Q. What are some of your highest positions?

A. Cheung Kong, Hong Kong Bank, New World and Swire Pacific.

Q. How important will the next few months or years in Hong Kong be for the development of China? Can a new possession with 6 million people really affect a country of 1.2 billion?

A. In the context of the entire nation, Hong Kong is

certainly significant but is not critical to the continued health of China. Perhaps more important is the psychological impact it has on China and the amounts of investment money which flow from Hoog Kong.

Q. What about the rest of Asia? How important is it for the region, especially Taiwan, for everything to progress well in Hoog Kong?

A. Progress in Hoog Kong impacts all of Asia and fosters general economic development. For Taiwan, Hoog Kong is particularly significant since it offers a window to China for trade and investment.

Funds Are the Play, but Which One?

Continued from Page 15

movements. This sensitivity is heightened by the fact that the Hong Kong dollar is pegged to the U.S. dollar.

Mr. Guarnieri recommended that investors opt for open-ended regional funds.

"Closed-end funds tend to operate at a hefty discount to net-asset value when they are out of favor and at a premium when they are fashionable," he said, "when they are highly volatile."

Simon Davies, an investment manager with Berry Asset Management in London, said that when choosing funds for clients he preferred management groups that had operations in the region.

"It would appear to be the case that funds which do well have people there on the ground," he said. "A number of Hong Kong and China funds are managed out of London by people with little experience or knowledge of Hong Kong-based business practices."

Mr. Davies likes the HSBC Hong Kong Equity fund.

"HSBC Asset Management has a large banking network in Asia, and, as a result, has developed close business ties with many of the small, up-and-coming companies in Hong Kong," he said.

"Access to detailed, reliable information on small companies with limited trading histories is invaluable if you are to manage a fund successfully. It is difficult to see how some of the funds that are managed outside of Hong Kong can gain access to such information."

But a survey carried out by the Hong Kong-based Benchmark Funds Analysis magazine and Micropal Inc. found that many of the top-performing funds investing in the Far East were, in fact, managed from London and Luxembourg.

ACCORDING TO the Benchmark survey, which measured the performance and volatility of Asian funds excluding Japan against a return on U.S. Treasury bills over a three-year period, Guinness Flight Global Asset Management Ltd. Guinness Flight has five Asia funds, which are all managed from London.

"If there is ever a debate as to whether Far Eastern funds are more successfully managed locally or internationally," said Gerry Ball, Benchmark's publisher, "this is strong evidence to suggest managing Asian funds from London is no disadvantage."

Richard Farrell, a spokesman for Guinness Flight, said that he believed

distance could lead objectivity.

"I spent several weeks in Hong Kong during the early 1990s and was aware of the wall of money about to flow into Hong Kong from the U.S.A. and Europe," he said. "However, the local fund managers were very bullish about the market at this time and chose to maintain high cash levels in their portfolios. They were clearly too caught-up with events in their own backyard to appreciate the impact of changing investor-sentiment in the rest of the world."

As with funds everywhere, investors were encouraged to study the profiles of managers who assessed a vehicle's attractiveness.

Mr. Davies said that investors should look for recent management changes and consider the extent to which portfolio managers are held in check by management controls.

Jardine Fleming is one of the biggest and most successful fund-management groups in Asia, but in recent years the JF Asian funds have gone off the boil," Mr. Davies said.

"It is thought that the root cause of this is lack of management controls," he added. "One fund manager was involved in fraudulent activity and this has acted as a damper on the performance of other funds in the group."

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DAVE BARRY

Toilets, the American Way

MIAMI — I have received a number of letters from readers complaining that I focus too much on "bathroom humor," instead of using this forum to educate my readers about important issues that are of deep concern in our nation. O.K., fine. I can take criticism, and I admit that maybe I have become somewhat fixated. So today my topic will be: China.

China is a large nation located over in Asia. You readers should be more concerned about it.

Now, with what little space I have remaining, I'd like to talk about a fascinating newspaper-insert advertisement for Vanish brand toilet cleaner. You may have seen this ad: it features a portrait-style color photograph of a middle-aged woman standing next to a toilet. She's smiling and holding a package of Vanish, and next to her head is this quotation, which I am not making up:

What happened when Pat Mayo invited people to visit her bathroom.

"I have the cleanest and the nicest smelling bathroom in the neighborhood. If anybody doesn't believe me, ring my doorbell and you can smell my toilet." Pat Mayo, Homewood, Illinois.

This ad was sent to me by alert reader Lee Burtman, who states: "As a very busy teacher and mother of four (including two young boys just learning to swim) I cannot imagine encouraging people to ring my doorbell and ask to smell the toilet."

That was my reaction also. I mean, I don't want to get explicit here, but there are times when I don't want my own loved ones going near my toilet. If total strangers were to start coming to my door and asking for a whiff of it, I would purchase a Sears Craftsman brand flame-thrower.

So I decided to contact Pat Mayo of Homewood, Illinois, which turns out to be a real place, right next to Chicago (a large city). Pat said that she did, indeed, invite people to smell her toilet; in fact, she makes the same invitation in a TV commercial. Here, as she explained it to me, is what happened:

"A while back, Pat, who is a real stickler for housework, purchased some Vanish at the supermarket. She tried it and was very impressed with its toilet-cleansing properties. 'I threw away my toilet brush,' she said.

She was so impressed that she called the Vanish people, and they decided to put her in one of those commercials wherein they use regular humans. As you know, with a lot of TV commercials, when you see

"typical homemakers" getting worked up into an advanced state of rapture over the cleanliness of their toilets, you are actually watching paid professional actresses who, in real life, would no more clean a toilet than they would French-kiss a leech.

Also, remember the Ty-D-Bol man? the guy who used to float around the toilet tank in a little boat? I hate to burst your bubble, but he was not real, either. He was just a professional actor who happened to be six inches tall. The REAL Ty-D-Bol man is only four inches tall and is always watching you via a little periscope. Try not to think about it. (Also, for the record, the so-called "Ener-gizer Bunny" is actually Sylvester Stallone in a costume.) But getting back to Pat Mayo:

She told me that she was filming the Vanish commercial, and she was wearing a long-sleeved outfit under these hot lights, and they kept putting powder on her, and the director kept badgering her to say, in her own words, WHY she was so fond of Vanish, and finally she just blurted out a blanket invitation to the world to come and smell her toilet, and that's what they put on TV.

I asked Pat if anybody has actually taken her up on this offer, and she said that about a week after the commercial started running, she was cleaning her house, and the doorbell rang; it was two neighborhood boys on bicycles, and they said "Hey, Mrs. Vanish, can we smell your toilet?" So Pat let them in, and they flushed it a couple of times, and she gave them soda pops and sent them on their way.

"They were bragging around the neighborhood," Pat said. "We smelled the Vanish Lady's toilet!"

Yes, Pat has become a celebrity, and not just in her own neighborhood. She has been interviewed on several radio programs, and she even got mentioned by Jay Leno. You have to love a country where one day a person can be just a regular private citizen in Homewood, Illinois, and the next day her toilet is being discussed on nationwide television. That is the beauty of the American way of life, in stark contrast to the way of life in China, where — even now, in the late 20th century — there is no Jay Leno.

NEXT WEEK'S TOPIC: "The Federal Reserve Board: What does it do? Who belongs to it? What kind of toilets do they have?"

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The Heroine of the Louvre

PARIS — This spring France's association of national museums, La Réunion des Musées Nationaux, has held a series of exhibitions to refute criticism that it failed to trace the original owners of works held in its collections since the Nazi occupation. Nearly 1,000 unclaimed

MARY BLUME

pieces ranging from Bruegel objects in paintings by Gauguin and Delacroix have been put on display at such sites as the Louvre, the Pompidou Center, the Orsay museum and the Chateau de Versailles.

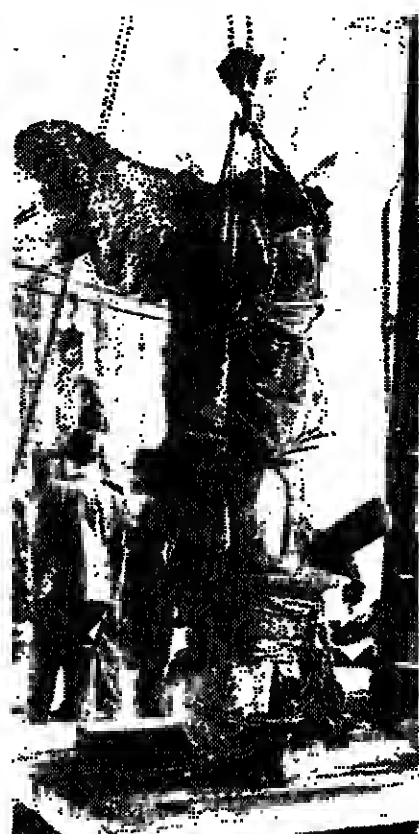
In addition a Web site was opened and as a further expository gesture La Réunion des Musées Nationaux republished a 1960 book called "Le Front de l'Art" to demonstrate French efforts to protect public and private collections from the invader. The book, long out of print, is by Rose Valland, an employee of the Jeu de Paume museum, which during the Occupation was used as a clearinghouse for stolen art works.

Valland, secretly and at great risk, noted the provenance and destination of each object and after the war spent 10 years in Germany overseeing their repatriation. A sturdy, modest woman, in 1965 she attracted a small degree of attention with the John Frankenheimer film "The Train," an overblown account of her quiet ootaking on the contents and destination of a train bearing artworks to Germany at the war's end, which enabled Resistance workers along the way to cause sufficient delays so that the war was over before the train arrived. She died in 1980, decorated not only with the Légion d'Honneur and the Resistance medal, but also the Medal of Freedom and the German Republic's Order of Merit.

"Le Front de l'Art" begins in 1938, when the French government was still disgracefully blind to the forthcoming war (and deaf as well: one general later set up headquarters in a chateau outside Paris chosen simply because it had no telephone to disturb him). The museum people were more alert and on Sept. 27 the first convoy of publicly owned art works left for the safety of the chateau of Chambord. The 29th such convoy, in October, 1939, was the most famous, bearing the Venus de Milo, the Winged Victory, the Parthenon sculptures and Michelangelo's "Slaves."

The dispersal of major artworks to safety, mostly in chateaux, had been better planned than France's brief military campaign. "To send to safety its works of art, its archives, its libraries was one of the first defense reflexes of our country," Valland wrote.

At first, the German conquerors limited their demands to works that had been previously seized by France under, say, Napoleon, or that were "Germanic" in origin or style, a vague description that



Spiriting away the Winged Victory before the Nazi forces arrived.

later enabled them to take Van Eyck's Ghent altarpiece, which had been sent from Belgium to France for safety.

Later, supposedly for their own protection, all public and private owners of artworks worth more than 100,000 francs of the day were told to declare them to the German authorities. Works in the public collections were to be left in place for the time being but carefully inventoried by both the Germans and the French.

Even if their owners were still in France, artworks belonging to Jews were deemed abandoned property by the Germans since Jews, they said, had no legal claim to them. The first to be seized belonged to Jewish art dealers; next came the great private collections (parts of which shortly re-emerged on the Paris art market).

The Jeu de Paume museum had been chosen as the center for all transactions and records, none of which escaped Valland's secret notetaking. It was also the scene of private displays of Jewish-owned paintings set up for Hermann Goering so that he could make choices for his private collection. The first "exhibit" featured works from the collection of Baron Edouard de Rothschild, to which Goering later added works from the Seigmann and Wildenstein collections. Their value was deliberately underes-

timated by a French expert (one Cranach was listed at 5,000 francs), a wasted nicety since Goering never paid. By 1942 Goering had also helped himself to 30 crates of art works belonging to the David Weill family.

If Goering's visits were the most flagrant, much looting was conducted on a smaller scale. Possibly some of the artworks now unclaimed were stolen by individuals, but almost everything passed through the Jeu de Paume, its movements tracked by Valland and her associates. "Almost everything I saw and heard ended in my notes and my memory, an important reserve from which I was able to understand their operations and projects," she wrote.

The Germans did not want everything: examples of so-called degenerate art, mostly modern Expressionists, were coveted solely for their monetary value on the international art market and were, for example, exchanged in Portugal against uncut diamonds that were in turn sold for currency to buy arms. Others were exchanged for more acceptable artworks through dealers in Germany, Holland, Hungary, Switzerland and France. Again, such exchanges were secretly noted by Valland and her colleagues secure in the belief that after the Liberation they would, like all pre-empted works, be restored to their rightful owners.

As the war continued, greed grew fed by Hitler's decision to build the world's finest museum in his hometown, Linz, and even indisputably French works in public museums were no longer safe. At the same time, the Germans decided to burn between 500 and 600 "useless" modern paintings (including works by Picasso, Miro, Max Ernst and Klee) in the courtyard of the Jeu de Paume, a scene Valland watched with horror. In August, 1944, with the Liberation at hand, the famous train loaded with art left for Germany, its wagon numbers and route secretly noted by Valland, and its voyage sufficiently interrupted by the Resistance so that Allied troops were able to intervene.

By a happy coincidence, among the liberating officers was the son of Paul Rosenberg, one of the looted Paris gallery owners.

The re-publication of "Le Front de l'Art" by the Réunion des Musées Nationaux provides an uplifting example of what a few people did to protect the possessions of France's museums and private citizens: a well-timed PR gesture at a time when the museums are under criticism for not having done enough to trace the owners of the works shown in this spring's exhibitions and on the Web.

But the book also raises a question. Did anyone really study in detail the lists compiled at such risk by Valland and her colleagues and do a proper ownership search? And if they had, would this spring's displays have been necessary?

PEOPLE

Tabloid Will Fight Lawsuit Filed by Eddie Murphy

THE National Enquirer says it will fight a lawsuit brought by Eddie Murphy, alleging that the tabloid newspaper printed lies about his sexual tastes. The National Enquirer printed the article after Murphy was stopped by undercover police with a transsexual prostitute in his vehicle. "Mr. Murphy is attempting to rehabilitate himself at our expense," the tabloid said in a statement. "We intend to prove our case in open court." Murphy has also filed suit against the Globe tabloid paper for slander, libel and invasion of privacy. A third lawsuit by Murphy seeks at least \$1 million for the same reasons from Joanne Seidl, a relative of the prostitute who was in Murphy's car on May 2. The Enquirer's statement said the television personality Gerald Rivera has taped a show to be aired later in which he interviewed a number of transsexuals who claimed to have had sex with Murphy. In addition, the Enquirer said, the radio personality Howard Stern recently had a transsexual on his show who described a sexual encounter with Murphy.

Oprah Winfrey is wondering how long her show — the highest-rated daytime talk show in television history — can continue. "It gets harder every day," Winfrey said in an interview. "When you've done it for 12 years, you've covered every topic." Winfrey said she would tape 200 more shows by next spring but beyond that, she wasn't sure.

The CNN celebrity interviewer Larry King will get married for the sixth time in December, to actress Shawn Southwick, according to The Washington Post. King, 64, and Southwick, 37, will have 10 marriages between them.

Television's "Columbo" actor Peter Falk, will celebrate his 25th year on the air with an anniversary movie on the ABC network. "Writing Columbo is simple if you're going to have cheap, easy, transparent clues," Falk said. "But if you attempt to be genuinely clever, that's hard."

One of the prosecutors in O.J. Simpson's double-murder trial says that Los Angeles prosecutors Marcia Clark and Christopher Darden passed steamy notes to each other during the trial that ended in Simpson's acquittal. Rockne Harmon made the comments to Simpson's lead defense attorney, Johnnie Cochran Jr., for his Court TV show "Cochran & Company." "The point is not that they were having a relationship," Harmon said, but that "this is what they were doing in court while the trial was going on."

50TH CANNES FESTIVAL

Remaking Hong Kong - in Buenos Aires

By Joan Dupont
International Herald Tribune

CANNES — "Happy Together," to be shown in competition Saturday night at the Palais des Festivals, starts out with a scene of two men making love. The place is a seedy hotel room in Buenos Aires; the men are played by the Hong Kong stars Leslie Cheung and Tony Leung. Wong Kar-Wai, Hong Kong's provocative pop auteur, has hit on a touchy subject on the eve of Hong Kong's return to Chinese rule.

"But to me, it is not a gay film," the director says. "It's a love story about being lonely with somebody else; being happy together could also mean being happy with yourself, with your past."

"Happy Together," has a subtitle: "A Story About Reunion." "For the past two years, everybody has been asking me about the fate of Hong Kong, and if my next film would be about 1997. I didn't have an answer so I thought we should just walk away and try something else. We started with a subject we've never touched before, and we went to a place that we'd never been before — Buenos Aires, on the other side of the world. And the further I went, the more I looked back at Hong Kong, so maybe this film has something to do with 1997 after all."

Kar-Wai was aware that the festival had accepted two Chinese entries, and that Zhang Yuan's "East Palace, West Palace," a film depicting the gay underworld in Beijing, raised the ire of Chinese authorities. Zhang's passport was confiscated, and pressure was brought to bear on Zhang Yimou to withdraw his comedy, "Stay Cool," from competition.

"So many gay films have been made in Hong Kong the last two years because nobody knows what's going to happen," Kar-Wai says. "But that's life; if you want to stay in Hong Kong to make films, you have to face it. No matter if the film is banned, the most important thing is believing in it. Look at Zhang Yuan — he did it, he made his film."

Kar-Wai, who has been living in Long Island, New York, says he feels that his life there is "like a holiday." But he is going back to Hong Kong. "I have a movie to shoot over the next six months; it's called 'Summer in Beijing.'"

Born in Shanghai in 1958, Kar-Wai left with his family when he was 5, and dreams of going back to his father's house. He still speaks Mandarin.

"Happy Together," made in Cantonese, Mandarin and Spanish, is a change in pace from the director's last films, " ChungKing Express " and " Fallen Angels " — no Hong Kong fast-food kitchens, crazed motorcycles, mysterious assassinations, beautiful blondes with lethal weapons, or multiple plots. "It's my simplest film," he agrees, "maybe because there are just two characters and I didn't think of doing any tricks or turns."



Wong Kar-Wai, whose "Happy Together," is a story about reunion.

The story of alienated lovers in a remote land, shot in a desolate landscape, looks more like Antonioni's "Eclipse" at times than groovy Kar-Wai. The colors of the film veer from black and white to saturated color. "To me, color tells the temperature: the film starts in summer and I want that summer to be very cold, the way it is in Argentina, and black and white is very cold. Summer in Argentina is winter in Hong Kong, and night in Argentina is day in Hong Kong; they are directly opposite."

"Of course, Buenos Aires has nothing to do with this film. We were remaking Hong Kong in Buenos Aires," he adds.

The lovers have come to Argentina to start over; they dream of seeing the waterfalls together. But things go bad — dark moods, suspicions, clashes — one goes off to be a doorman in a tango bar, the other tracks him down. "They are like all couples, they could be a man and a woman, but using Leslie and Tony makes it different. Leslie is the plane, he takes off and lands when he likes; Tony is the airport and decides to close down the runway. Tony wants to reunite with his past. The melancholy moment is when he thinks about home, upside-down, on the other side of the world." Their happiest times together are during an exhausted truce, after Leslie gets beaten up and Tony cares for him. "I didn't want him to feel better too fast," he says.

The actors make a striking match. Leung who plays the nostalgic lover, is

known for his performance in Taiwanese director Hou Hsiao Hsien's "City of Sadness" and Vietnamese director Tran Anh Hung's "Cyclo." he has acted in three Kar-Wai films and in John Woo's "Hard Boiled." Cheung has also acted with Woo, and twice with Kar-Wai, as well as starring in Chen Kaige's "Farewell My Concubine" and "Tempestress Moon."

"Tony and Leslie have been in so many films — they're so sure of themselves. I wanted to catch them off balance. Tony was thrown when he realized that there would be gay scenes and what was expected of him. He still hasn't recovered."

After Cannes, Kar-Wai returns to Hong Kong, to face the future and shoot "Summer in Beijing."

"Now that 1997 is here, I'm not afraid. If Chen Kaige and Zhang Yimou can still make films, why should we worry?" In "Summer in Beijing," he hopes to capture the moment of the handover and has already shot some scenes in Beijing, but is not sure he can go back there.

Last year, the government made new rules: if you want to make a film in China, you have to submit a script which should be identical to the completed film. I don't know how this may affect other filmmakers, but I never have a script.

"So maybe 'Summer in Beijing' can take place in a restaurant called Beijing, in Macao. In 1999, Macao is going back to Chinese rule. This could make it strange, and fun," he said.

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